Transportation Committee

Tuesday, October 18, 2005
1:00 P.M.- 3:30 P.M.
404 HOB

Allan G. Bense
Speaker

Ray Sansom
Chair

LONG-TERM FUNDING FOR FLORIDA'S TRANSPORTATION INFRASTRUCTURE

House Transportation Committee
October 18, 2005

ISSUE STATEMENT

Florida's transportation infrastructure is not keeping pace with its growth in population and number of visitors, an estimated 65 percent of its major highways already are congested, and the costs of maintaining the existing systems – let alone addressing the transportation backlog – are accelerating.

FDOT's Current Budget

- Primary sources of revenue (FY 05-06):
  - State fuel taxes: $1.77 billion;
  - State motor vehicle fees: $807 million;
  - State Rental Car Surcharge: $102 million; and
  - Federal funds: $1.4 billion.
- Funding available for 5-Year Work Program: $35 billion.
- FDOT's budget is about 11% of state's annual expenditures.

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Work Program Development

- The Department operates on a cash-flow basis by matching project funding commitments with transportation revenues expected to be received over future years through a revenue estimating/cash forecast process.
- Funds are allocated to various programs and geographic districts based on federal and state law and on agency policies.
- Allocations are for broad program areas such as the Florida Intrastate Highway System, bridges, resurfacing, routine maintenance, public transit, and airports.
- Projects are selected and added to the work program through a cooperative process involving the 7 FDOT district offices and Turnpike Enterprise, the 26 Metropolitan Planning Organizations (MPO's), all 67 counties and other local or regional transportation agencies.

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Adopted Five Year Work Program
Total Budget - FY 05/06 – 09/10
In Millions

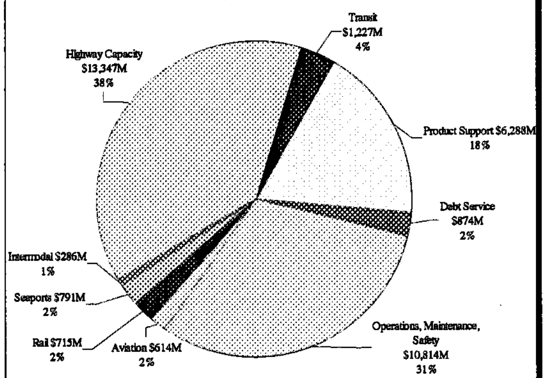
Highway, Aviation, Rail, Seaports and Intermodal Capacity:
Land, roads and bridges, aviation, rail, intermodal access and seaport grants which add to the capacity of highway and other modes of transportation.

Product Support:
In-house and contract staff who perform studies, produce design plans, acquire right of way, inspect and manage construction work and administer public transportation grants.

Operations and Maintenance, Safety:
In-house and contracted staff, equipment and materials needed to maintain and operate the State Highway System and to collect tolls and enforce motor carrier compliance laws.

Transit:
Provides funds to public transit and paratransit systems and transportation disadvantaged service providers. Includes capital and operating funding assistance.

Debt Service:
Principal and interest costs associated with bonds issued as part of the Departments financing of the Work Program.



Five Year Total $34,956M

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06ADOPT1

PROFILE OF FLORIDA'S TRANSPORTATION SYSTEM

- Current System Components
  - State Highway System has 41,000 Lane Miles with 6,381 Bridges.
  - 800 Active Aviation Facilities; 131 are public facilities and 19 of those have scheduled service.
  - 29 Fixed-Route Transit Systems
  - Transportation Disadvantaged services in all 67 counties
  - 14 Seaports
  - 2,707 Railway Miles
- System Users
  - 17.4 Million Residents
  - 76.8 Million Annual Visitors

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CURRENT STATUS OF SYSTEM: Highway

- More than 65 percent of urban freeway miles are moderately or severely congested during peak traffic periods.
- Total vehicle-miles traveled on highways are expected to increase much faster than highway lane miles can be added. This continued rate of growth will increase system demands and reduce mobility.

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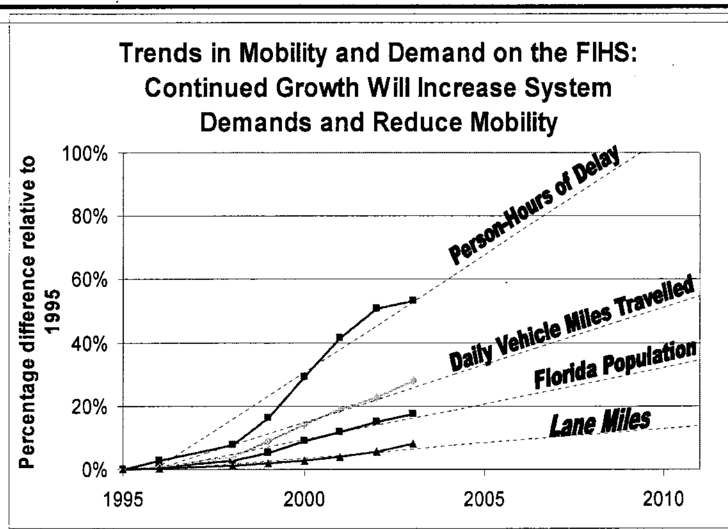
Growth: More Demand



Note: Trends based on 3-year moving average
Source: Transportation Statistics Office

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CURRENT STATUS OF SYSTEM: Aviation

- About 68 percent of Florida's commercial service airports are at or near threshold capacity.
- In the current year, an estimated 121 million passengers will use Florida's airports and an estimated 3.8 million pounds of freight will be shipped.

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CURRENT STATUS OF SYSTEM: Seaports

- Florida's Seaports handle more than 120 million tons of cargo, more than 2.5 million cargo container units, and nearly 15 million cruise passengers annually.
- In 2004, Florida's international trade (waterborne and airborne commodities moving through the state's gateways) totaled $81.4 billion. This 11.7 percent increase over 2003 more than doubles the 5.3 percent growth rate of the previous year.
- Despite this growth, Florida's share of U.S. international merchandise trade has declined from 4.39 percent of U.S. trade in 1999 to 3.69 percent in 2004.

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CURRENT STATUS OF SYSTEM: Public Transit

- Transit provides key connections to the Strategic Intermodal System. Florida's transit properties reported over 207 million passenger boardings in 2003
- Transit ridership, service levels, and operating costs have grown steadily over the past 15 years.
- Due to funding constraints, existing transit services can have inadequate service to employment centers, and to other commercial, education and recreation activities.
- A recent study by the University of South Florida indicated a shortfall of $9 billion over 20 years in 12 of 25 local long-range transit plans. (The remaining long-range plans did not distinguish shortfalls between transportation modes.)

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COST ISSUES: Right-of-Way

- Right-of-way costs continue to escalate, with parcels in urbanized areas of Florida appreciating well over 10% annually.
- The future availability of right-of-way is an issue in our high-growth state, creating land-use competition and increased costs.

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COST ISSUES: Construction Expenses

- An inflation factor of 3.3%-4.5% is built into construction costs for projects in FDOT's Tentative Work Program.
- Nationally, highway material costs rose 8.5% in 2004, compared to the previous 12-year average increase of 1.8%, and are on track to rise up to 12% more in 2005.
- U.S. Labor Dept. estimates double-digit increases in the producer price indices for ready-mix concrete and crushed stone – crucial components in transportation construction.
- Accelerating product costs could mean that SAFETEA-LU's $286.5 billion brings little or no real increase in federal transportation funding.

REVENUE ISSUES

- State fuel taxes are indexed to the Consumer Price Index which helps offset some inflation costs.
- Fuel price volatility has raised concerns about future stability of fuel tax revenues.
- Growing popularity of hybrid and alternative-fuel vehicles may impact fuel consumption.
- Recent federal transportation bill provided for a study of future funding for federal transportation programs.

FUTURE DEMANDS ON SYSTEM

- Florida's population is projected to grow to nearly 23 million residents, by the year 2020.
- The number of visitors to Florida is projected to increase from 76 million persons to as many as 116 million persons by 2013.
- Freight transportation is a significant economic generator in Florida and is increasing exponentially. By 2020, the tons of freight shipped in Florida is projected to double from current levels to 1.4 billion tons per year, and its value will nearly quadruple, from $567 billion to $1.9 trillion.
- Freight-hauling by trucks will continue to be a leader in Florida, both in tons delivered and value (more than half the total in those categories).
- There is also an increasing demand for specialized transportation services, such as those that serve transportation disadvantaged residents and seniors. Only 14 percent of the 6.2 million Floridians who potentially qualify for transportation services currently are being served.

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PROJECTED NEEDS

Various studies have concluded Florida has unfunded transportation needs ranging from $38 billion to $48 billion.

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FUNDING IMPLICATIONS

- Florida's transportation infrastructure is not keeping pace with its population growth, visitor travel, and freight movement demands.
- The Florida Transportation Commission has determined that an additional $2.7 billion ($160 per capita) is needed annually just to maintain current transportation conditions. To actually improve conditions and increase capacity will cost about $4.9 billion annually ($295 per capita).
- For the Florida Intrastate Highway System alone, the unfunded need, by 2015, will be over $30 billion.
- The MPO's long-range plans also indicate significant shortfalls in necessary funding. The total shortfall estimate is $37.7 billion (in year 2000 dollars) —a 43% increase over the 1997 statewide shortfall estimate.

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ECONOMIC IMPLICATIONS

- For Florida to maintain and improve its overall state economy, it must compete in the national and global marketplace for trade, tourism and economic development.
- A key factor in remaining competitive is the state's transportation system.
- Florida must be able to provide better transportation facilities and services, moving goods and people more efficiently and more cost effectively.

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ECONOMIC IMPLICATIONS

- In general, macroeconomic business benefits and personal travel benefits yield $5.50 worth of economic benefits for every $1 invested in the FDOT Work Program for highway, rail and transit improvements.
- FDOT's 2002-2007 Work Program investments in highways, transit, and rail over the next five years was expected to result in an increase of $44 billion in personal income for Florida residents and generate 88,000 new permanent jobs over the next 25 years.

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ECONOMIC IMPLICATIONS

- Studies indicate that investments which increase the capacity or service at airports and seaports also can return benefits ranging from $2 to $13 for each $1 invested.
- Traffic delays on Florida's urban highways cost the average motorist in the state's eight largest cities about $500 per year in lost time and fuel.
- For trucking companies, the cost of delay exceeds $1 per minute.

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SOURCES OF NEW FUNDING:
2005 Growth Management Legislation

- $575 million non-recurring from General Revenue
- $542 million recurring GR from Documentary Stamps

Breakdown:
  - 10% to "New Starts" Transit Program;
  - 5% to Small County Outreach Program;
  - Remaining funds:
    - 75% to Strategic Intermodal System
    - 25% to new Transportation Regional Incentive Program (TRIP)
- Additionally, 2 programs get one-time funding in FY 2005-06 from the non-recurring funds:
  - County Incentive Grant Program gets $25 million; and
  - State Infrastructure Bank gets $100 million.

Total growth-management transportation project commitments for the next 10 years (through FY 2014-2015): $ 7.5 billion

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SOURCES OF NEW FUNDING:
Other Options

- Open-road tolling. This enables motorists to pay highway entry and exit tolls while driving at normal speeds through interchanges by using transponders, video imaging, and other tracking devices.
- Leveraging federal funds. GARVEE bonds- FDOT has statutory authority to pledge future federal-aid reimbursements to pay debt service on these 12-year bonds.

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SOURCES OF NEW FUNDING:
Other Options

- More partnerships with private entities. FDOT has statutory authority to enter into agreements with private entities to build transportation facilities. State-private partnerships to build High Occupancy Toll (HOT) lanes have been explored.
- Issuance of additional revenue and general-obligation bonds.

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CURRENT BONDING OPTIONS

- FDOT utilizes Right-of-Way and Bridge Construction general obligation bonds. Since FY 1990-1991, FDOT has issued about $1.8 billion in these type of bonds, and has about $1.4 billion outstanding. FDOT has plans to issue $1.3 billion over the next 7 years to fully implement the program.
- The Florida Turnpike, 10 other tolled bridge or highway facilities in Florida, and the Florida Seaport Transportation and Economic Development (FSTED), currently utilize revenue bonds. The outstanding bonded indebtedness is an estimated $2.84 billion.

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BONDING OPTIONS
Debt Affordability

In 2001, the Florida Legislature passed a law implementing "debt affordability requirements" based on a percentage of state revenues, pursuant to s. 215.98, F.S.

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BONDING OPTIONS
Debt Affordability

- The state has adopted the debt affordability **target ratio** of keeping debt service at or below 6 percent of state revenues.
- According to the Division of Bond Finance's *2004 Debt Affordability Study*, this target results in a bonding capacity of $1.8 billion available over the next 5 years and $11.9 billion available through 2014.

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BONDING OPTIONS

Debt Affordability

- The state also has adopted a **bond affordability cap** that provides that debt service cannot exceed 7 percent of state revenues.
- Based on the 2004 study, this cap results in a bonding capacity of $6.6 billion available over the next 5 years and $17.9 billion available through 2014.

BONDING OPTIONS

Proposed General Obligation Bonds

- $200 million – $500 million of recurring general revenue could be pledged as debt service.
- Bond term would be flexible and could range from 10 years to 30 years.
- Legislation needed to create framework of program, and to put issue on the ballot.

BONDING OPTIONS

Proposed General Obligation Bonds

- The Florida Constitution requires a statewide referendum before general obligation bonds can be issued.
- If referendum passes, approval by State Board of Administration (Governor, Attorney General, and Chief Financial Officer) needed before bonds could be issued.
- Bonds would be issued by Division of Bond Finance pursuant to the State Bond Act.

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PROPOSED USE OF BOND PROCEEDS

- The bond proceeds would be used to address transportation infrastructure backlogs and future transportation needs that far outpace current transportation revenues.
- As a starting point for discussion, these bond proceeds could be distributed in a similar manner as the recent Growth Management funding.
  - 10% to "New Starts" Transit Program;
  - 5% to Small County Outreach Program; and
  - Remaining proceeds:
    - 75% to Strategic Intermodal System
    - 25% to Transportation Regional Incentive Program (TRIP)
- This distribution formula is intended to achieve a balanced statewide system.

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BONDING vs. PAY-AS-YOU-GO

- The use of bonds to pay for transportation infrastructure results in financing costs that are significant when compared to using the current "pay-as-you-go" approach.
- However, the use of bond financing can build projects many years sooner than using cash from tax revenues. The financing costs associated with bonds are largely offset (and may even be eliminated or exceeded) when compared to the increases in right-of-way, construction, and material costs for completing a project many years in the future.
- The additional benefit to the business community and to the driving public of having transportation capacity improvements sooner and avoiding additional traffic delays also should be considered as a factor in determining the appropriate use of bond financing.

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RESOURCE MATERIALS

Further information can be found at these websites:

- http://www.dot.state.fl.us/financialplanning/fr/transportationfundingsources.pdf
- http://www.dot.state.fl.us/financialplanning/revenue/taxprimer/200501/Tax_Primer_Jan2005.pdf
- http://www.dot.state.fl.us/financialplanning/pra/poa_2004.pdf
- http://www.dot.state.fl.us/planning/policy/pdfs/macroimpacts.pdf
- http://www.dot.state.fl.us/planning/gm/default.htm
- http://www.dot.state.fl.us/planning/policy/pdfs/macroimpacts.pdf
- http://www.sbafla.com/bond/pdf/publications/DARrpt04.pdfpdfs/macroimpacts.pdf

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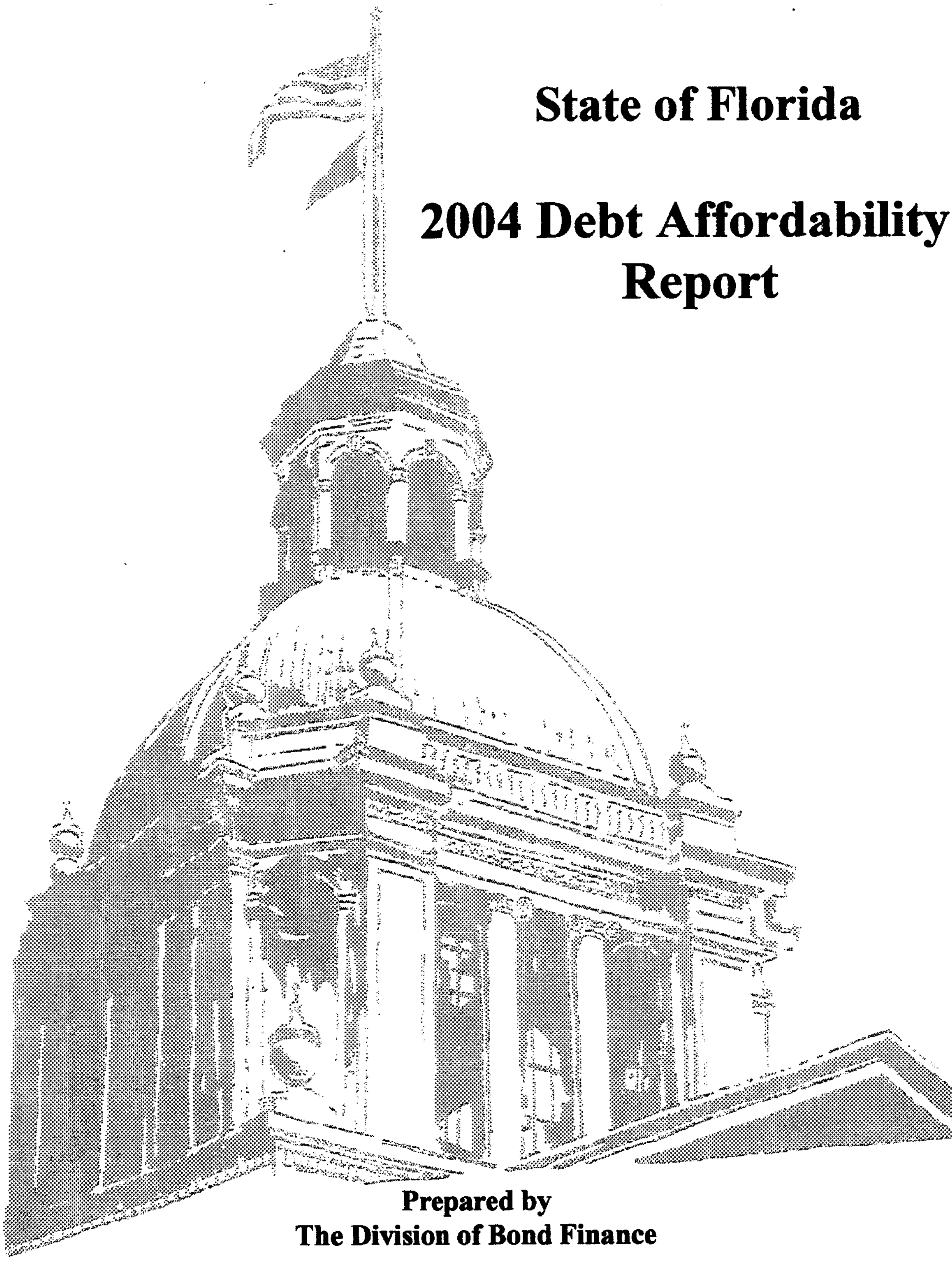
State of Florida

2004 Debt Affordability Report



Prepared by
The Division of Bond Finance

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EXECUTIVE SUMMARY

The purpose of this 2004 Report is to review changes in the State's debt position and to revise the projections to measure the financial impact of future debt issuance and changing economic conditions reflected in the current revenue estimates. The 2004 Debt Affordability Report has been prepared as required by Section 215.98, Florida Statutes.

Debt Outstanding: Total State debt outstanding at June 30, 2004 was $21.2 billion, $817 million more than at June 30, 2003. Net tax-supported debt totaled $16.9 billion for programs supported by State tax revenues or tax-like revenues. The self-supporting debt totaled $4.3 billion representing debt secured by revenues generated from operating facilities financed with bonds. Additionally, indirect State debt at June 30, 2003 was $6.3 billion. Indirect debt is debt that is not secured by traditional State revenues or is the primary obligation of a legal entity other than the State, such as the Florida Housing Finance Corporation and University Direct Support Organizations.

Estimated Revenues: The current long-run revenue forecast is significantly higher than last year's forecast. The November, 2004, revenue forecasts used in the debt analyses reflect an increase of $2.3 billion or 8.9% more than last year's forecast for Fiscal Year 2005 and $2.2 billion or a 7.5% increase for Fiscal Year 2006. **The higher revenue forecast reflecting a strengthening economy has caused an improvement in the benchmark debt ratio.**

Estimated Debt Issuance: Approximately $9.5 billion of debt is expected to be issued over the next ten years for all of the State's financing programs currently authorized. This estimated issuance decreased $1 billion compared to the previous projection of expected debt issuance. The decrease in expected debt issuance is due to using cash in lieu of bonding for environmental programs and class size reduction in Fiscal 2005. **The expected debt issuance does not include any additional bonding to implement the constitutional amendment for class size reduction.**

Estimated Annual Debt Service Requirements: Annual debt service payments are estimated to grow from the existing $1.5 billion to $2.2 billion by Fiscal Year 2013, assuming projected bond issuance of $9.5 billion.

Overview of the State's Credit Ratings: The State's credit ratings have been maintained and may be enhanced by conservative financial management and the maintenance of reserves. Florida's ratings have remained strong and did not suffer due to the reduction in revenue growth and the weak economic environment experienced during the 2001-2003 economic recession. Additionally, Moody's Investors Service recently announced that they are reviewing the State's general obligation bond rating for a possible upgrade from the current Aa2.

Debt Ratios: **The State's benchmark debt ratio of debt service to revenues available to pay debt service has improved over the past year.** The benchmark debt ratio improved from 6.12% for Fiscal Year 2003 to 5.94% for Fiscal Year 2004. The improvement in the benchmark debt ratio is due to higher than expected revenues during Fiscal Year 2004. The benchmark debt ratio is projected to remain reasonably consistent with the 6% target during the foreseeable future, based on expected debt issuance and the current revenue forecast. The expected debt issuance does not include any additional bonding to provide funding for class size reduction beyond the $600 million authorized in Fiscal 2003.

A comparison of 2003 ratios shows that Florida's debt ratios are generally higher than the national and Ten State Peer Group averages. Florida has the second highest ratio for the benchmark debt ratio of debt service to revenues.

2003 Comparison of Florida to Peer Group and National Medians			
	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt as a % of Personal Income	Net Tax Supported Debt Per Capita
Florida	6.12%	3.21%	$954
Peer Group Mean	4.53%	3.56%	$1,194
National Median	Not Available	2.40%	$701

Debt Capacity: **The debt capacity available within the 6% target is $11.9 billion over the next ten years.** However, the debt capacity is not available until 2009 and only $750 million is available over the next five years.

The debt capacity available within the 7% cap is approximately $18 billion over the next ten years. However, only $5.35 billion is available over the next five years. **The debt capacity available within the 7% cap should be preserved and used as a cushion against downturns in the economy.**

INTRODUCTION

In 1999, the Governor and Cabinet, acting as Governing Board of the Division of Bond Finance, requested staff to prepare a Debt Affordability Study. ***The purpose of the study was to provide policymakers with a basis for assessing the impact of bond programs on the State's fiscal position enabling informed decisions regarding financing proposals and capital spending priorities.*** A secondary goal was to provide a methodology for measuring, monitoring and managing the State's debt thereby protecting, and perhaps enhancing, Florida's bond ratings of AA/Aa2/AA+.

A report entitled "*State of Florida Debt Affordability Study*" was prepared and presented to the Governor and Cabinet on October 26, 1999. The Debt Affordability Study was the first comprehensive analysis of the State's debt position. The methodology used to analyze the State's debt position was as follows:

- Catalogued All State Debt;
- Evaluated Trends in Debt Levels Over the Last Ten Years;
- Calculated Debt Ratios;
- Compared Florida Debt Ratios to National Medians and to Ten-state Peer Group Medians;
- Designated Debt Service to Revenues as the Benchmark Debt Ratio;
- Established Guidelines for Calculating Debt Capacity;
    - 6% Debt Service to Revenues as the Target;
    - 8% Debt Service to Revenues as the Cap; and
- Calculated Debt Capacity Within the Guideline Range.

The Debt Affordability Study enabled the State's debt position to be evaluated using objective criteria. One of the benefits of the Debt Affordability Study was the development of an analytical approach to measuring, monitoring and managing the State's debt position. The process of analyzing the State's debt position also helps integrate debt management practices (an Executive Branch function) with capital spending decisions (a Legislative Branch function). The information produced by the Debt Affordability Study and the yearly updates can be used by policymakers to evaluate the long-term impact of financing decisions and assist in prioritizing capital spending.

During the 2001 Legislative Session, the Legislature endorsed and formalized the debt affordability analysis by passing Section 215.98, Florida Statutes. The statute requires the debt affordability analysis to be prepared and delivered to the President of the Senate, Speaker of the House and the chair of each appropriations committee by December 15th each year and, among other things, designates debt service to revenues as the benchmark debt ratio. ***Additionally, the Legislature created a 6% target and 7% cap for calculating estimated debt capacity.***

Additional debt that would cause the benchmark debt ratio to exceed 6% requires the Legislature to determine that the authorization and issuance of such additional debt is in the best interest of the State. Additional debt that would cause the benchmark debt ratio to exceed 7% requires the Legislature to determine that such additional debt is necessary to address a critical state emergency. The Legislature made the required determination that the debt being authorized is in the best interest of the State in each of the last three years. This determination was set forth in the appropriations act applicable to each year.

The Debt Affordability Study resulted in the development of a financial model which measures the impact of two changing variables: (1) the State's annual debt service payments; and (2) the amount of revenues available for debt repayment. The analysis compares the State's current debt position to relevant industry standards and evaluates the impact on the State's debt position of issuing more debt as well as changes in the economic climate reflected in the current revenue forecast.

This 2004 Report is the debt affordability analysis which satisfies the requirements of Section 215.98, Florida Statute. ***The purpose of this 2004 Report is to review changes in the State's debt position and revise the projections to measure the financial impact of future debt issuance and changing economic conditions reflected in the current revenue estimates.*** Performing the debt affordability analysis enables the State to monitor changes in its debt position. The 2004 Report also provides more current information regarding the impact of changes in economic conditions and enables the State to anticipate and plan for changing economic conditions in its future borrowing plans.

The essence of the 2004 Report is to revise projected debt ratios for three factors: (1) actual debt issuance and repayments over the last year; (2) expected future debt issuance over the next 10 years; and (3) revised revenue forecasts by the Office of Economic and Demographic Research. The revised debt ratios are compared with national averages and the debt ratios of our ten-state peer group. Additionally, the revised benchmark debt ratio is evaluated vis-á-vis the 6% target and 7% cap. Lastly, ***the target benchmark debt ratio of 6% and the cap of 7% are used to calculate anticipated future debt capacity available within the respective limits.***

The information generated by this analysis was presented to the Governing Board of the Division of Bond Finance on December 7, 2004 and provided to the Governor's Office of Planning and Budgeting for their use in connection with formulating the Governor's Budget Recommendations. The analysis will be repeated for revised revenue estimating conference forecasts. The information can then be used by the legislature to establish priorities during the legislative appropriation process. Accordingly, ***State policymakers will have the latest information available when making critical decisions regarding borrowing when formulating the appropriations act.*** Additionally, as the legislature considers new financing initiatives, the long-term financial impact of any proposal can be evaluated upon request. ***The information generated by this analysis is important for policymakers to consider because their decisions on additional borrowing can affect the fiscal health of the State.***

This is the fourth year that the Annual Debt Affordability Report has been prepared and provided to the Legislature.

COMPOSITION OF FLORIDA DEBT OUTSTANDING

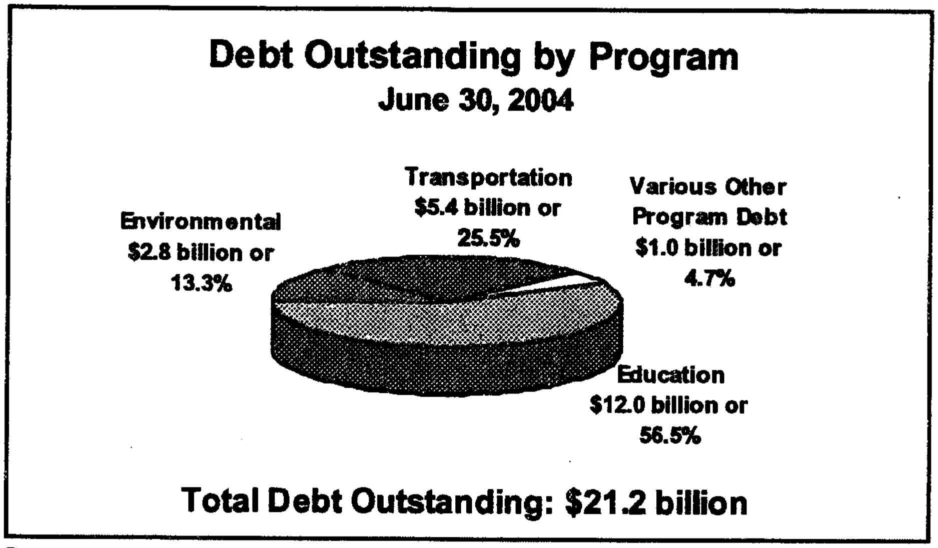


Figure 1

The State of Florida had total debt outstanding of approximately $21.2 billion at June 30, 2004. The pie chart illustrates the State's investment in infrastructure financed with bonds by programmatic area. The largest investment financed with bonds is for educational facilities with $12 billion or 56% of total debt outstanding devoted to school construction. Public Education Capital Outlay or "PECO" is the State's largest bond program with approximately $8.4 billion of debt outstanding. The second largest programmatic area financed with bonds is for transportation infrastructure. The transportation infrastructure financed with bonds consists primarily of toll roads. The combined investment in toll roads by Florida's Turnpike and the State's Expressway Authorities is approximately $3.4 billion. The third largest investment financed with bonds has been for acquiring environmentally sensitive lands with $2.6 billion of Preservation 2000 / Florida Forever bonds now outstanding.

As shown in Figure 2, ***the $21.2 billion debt outstanding at June 30, 2004 consisted of net tax-supported debt totaling $16.9 billion.*** Net tax-supported debt consists of debt secured by state tax revenue or tax-like revenue. Self-supporting debt represents debt secured by revenues generated from operating the facilities financed with bonds. Toll facilities, including the Turnpike and other expressway authority bond programs, are the primary self-supporting debt outstanding. The remaining self-supporting debt relates to university auxiliary enterprises such as dormitories and parking facilities.

Debt Outstanding by Type and Program

As of June 30, 2004

(In Million Dollars)

Debt Type		**Amount**
Net Tax-Supported Debt		**$ 16,891.8**
Self Supporting Debt		**$ 4,305.2**
Total State Debt Outstanding		**$ 21,197.1**

	Dollar Amount	
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$8,391.2	
Capital Outlay	893.7	
Lottery	1,969.9	
University System Improvement	189.7	
Total Education		$ 11,444.5
Environmental		
Preservation 2000 / Florida Forev	2,555.1	
Conservation and Recreation	19.1	
Save Our Coast	115.8	
Total Environmental		
Transportation		2,690.1
Right-of-Way and Bridge Acquisit	1,427.6	
Florida Ports	332.0	
Total Transportation		
Appropriated Debt / Other		1,759.6
Facilities	358.1	
Master Lease	16.7	
FLAIR Lease	25.8	
Prisons	198.4	
Juvenile Justice	18.4	
Children & Families	31.8	
Aircraft Lease	5.2	
Affordable Housing	278.9	
Florida High Charter School	22.3	
Lee Moffitt Cancer Center	42.0	
Total Appropriated Debt		
Total Net Tax-Supported Debt Outstanding		997.7
		$ 16,891.8
Self Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		
Environmental		$ 539.5
Florida Water Pollution Control		
Pollution Control		128.3
Transportation		0.1
Toll Facilities	$2,052.5	
Orlando-Orange Co. Expressway	1,350.6	
Road and Bridge	234.2	
Total Transportation		
Total Self Supporting Debt Outstanding		**3,637.3**
		$ 4,305.2

Figure 2

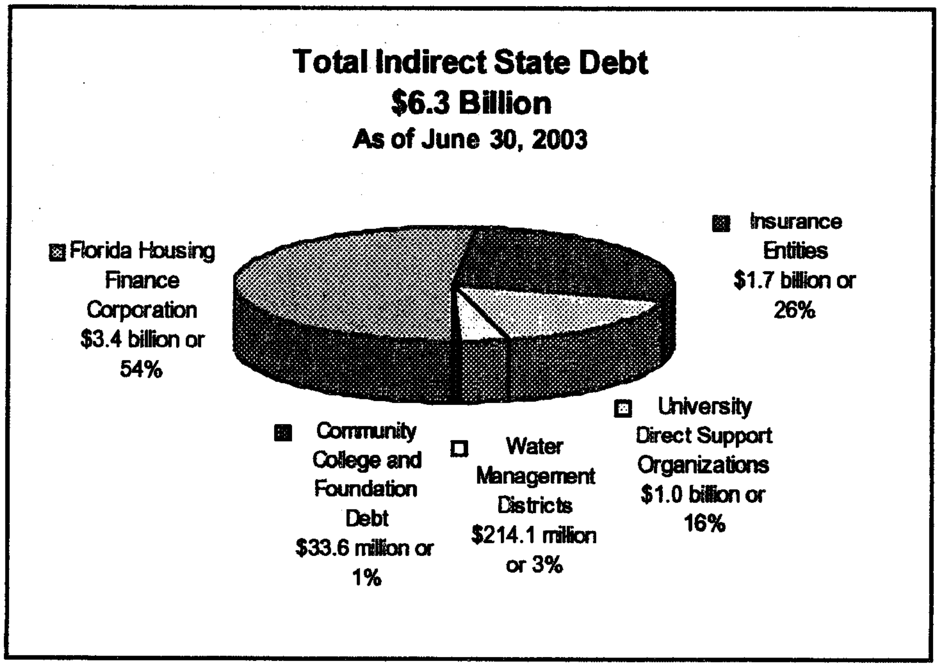


Figure 3

In addition to the direct debt comprised of net tax-supported and self-supporting debt, the State also has indirect debt. Indirect debt is debt that is not secured by traditional State revenues or is the primary obligation of a legal entity other than the State. ***Indirect debt of the State totaled $6.3 billion at June 30, 2003.*** Figure 3 sets forth the State's indirect debt by type. The Florida Housing Finance Corporation, which administers the State's housing programs, is the primary issuer of indirect debt with $3.4 billion or 54% of the total. Special purpose, quasi-governmental insurance entities have $1.7 billion or 26% of total indirect debt. University direct support organizations follow with $1.0 billion or 16% of the indirect debt.

State indirect debt by program is listed in Figure 4 to illustrate which entities incur such debt and for what purpose. For example, 75% of the Florida Housing Finance Corporation debt has been issued for multi-family housing projects and 25% for single family housing. The Shands Hospital at the University of Florida accounts for 42% of the university direct support organization debt. Lastly, 26% of total indirect debt is for the special purpose insurance entity, Citizens Property Insurance Corporation.

Total Indirect State Debt by Program
(In Millions of Dollars)

Florida Housing Finance Corporation		
Single Family Programs	$ 869.9	
Multi-Family Programs	2,553.2	
Total		$ 3,423.1
University Direct Support Organizations		
Shands Teaching Hospital	425.8	
Florida State University	129.7	
University of South Florida	177.7	
University of Florida	101.2	
Other State Universities	171.0	
Total		1,005.4
Community College and Foundation Debt		33.6
Water Management Districts		214.1
Citizens Property Insurance Corporation		1,669.2
Total State Indirect Debt		**$ 6,345.4**

Figure 4

GROWTH IN STATE DEBT

Trends in debt are an important tool to evaluate debt levels over time. Figure 5 graphically illustrates the growth in total State direct debt outstanding over the last 10 years.

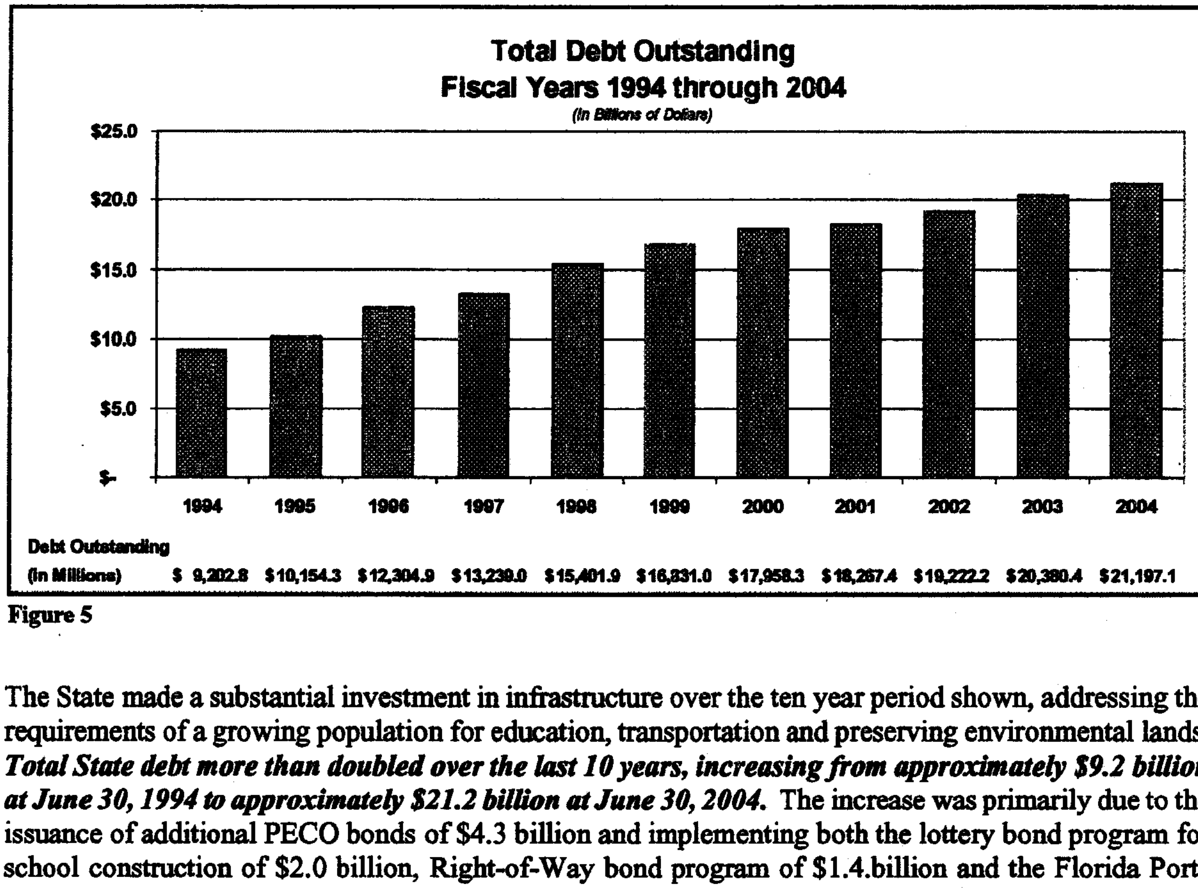
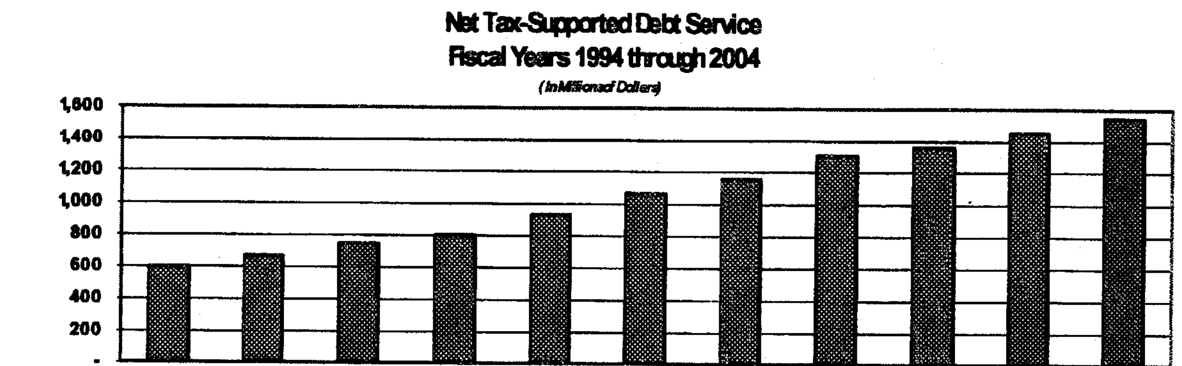


Figure 5

The State made a substantial investment in infrastructure over the ten year period shown, addressing the requirements of a growing population for education, transportation and preserving environmental lands. ***Total State debt more than doubled over the last 10 years, increasing from approximately $9.2 billion at June 30, 1994 to approximately $21.2 billion at June 30, 2004.*** The increase was primarily due to the issuance of additional PECO bonds of $4.3 billion and implementing both the lottery bond program for school construction of $2.0 billion, Right-of-Way bond program of $1.4.billion and the Florida Ports financing program of $335 million and the Preservation 2000 / Florida Forever programs for $1.2 billion.

Debt increased $817 million in Fiscal Year 2004 from $20.4 billion at June 30, 2003 to approximately $21.2 billion at June 30, 2004, less than the average annual increase of approximately $1.2 billion per year over the last 10 years. The increase in debt is due primarily to additional borrowing for school construction with financing programs for education facilities accounting for 67% or $550 million of the increase over the prior year.

Growth in annual debt service mirrors the growth in debt outstanding. Figure 6 depicts the increase in yearly debt service payments caused by the increase in debt over the last ten years.

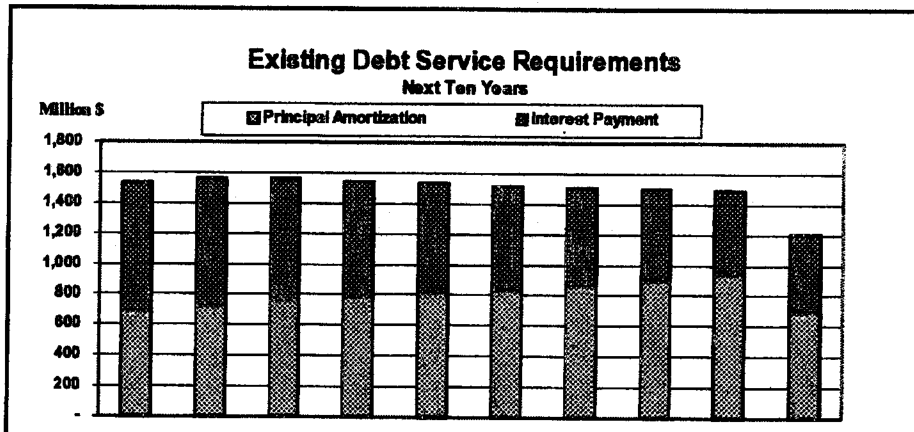


(In Million $)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debt Service	$601.5	$671.7	$741.6	$801.4	$928.2	$1,071.8	$1,166.2	$1,303.4	$1,357.1	$1,459.5	$1,551.9

Figure 6

The State's annual debt service payments on net tax-supported debt is more than $1.5 billion per year. Annual debt service requirements have more than doubled over the last 10 years reflecting the increase in debt outstanding. The State's annual debt service payment obligation has risen from approximately $600 million in 1994 to approximately $1.5 billion in 2004. This measure is important from a budgetary perspective because it indicates how much of the State's budget is devoted to paying off debt before providing for other essential government services.

The debt service for the next ten years on the State's existing net tax-supported debt is shown in Figure 7. The total annual payments consist of both principal and interest on outstanding debt as depicted below. The State policy of using a level debt structure is apparent with annual debt service requirements of approximately $1.5 billion per year over the next nine years dropping to approximately $1.2 billion in 2014 due to the final maturity of Preservation 2000 bonds. Additionally, total interest payments of $7.0 billion are slightly less than principal amortization of $8.0 billion over the next ten fiscal years.



(In Millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Principal	$ 688	$ 724	$ 760	$ 784	$ 814	$ 832	$ 867	$ 902	$ 941	$ 698	$ 8,011
Interest	851	840	803	765	726	687	644	600	553	504	6,973
Total	$ 1,539	$ 1,564	$ 1,562	$ 1,549	$ 1,540	$ 1,519	$ 1,511	$ 1,502	$ 1,494	$ 1,202	$ 14,983

Figure 7

EXPECTED DEBT ISSUANCE

The table set forth in Figure 8 represents the expected debt issuance over the next ten years for each of the State's currently authorized bonding programs.

Projected Debt Issuance By Program Fiscal Years 2005 through 2014
(in Thousands)

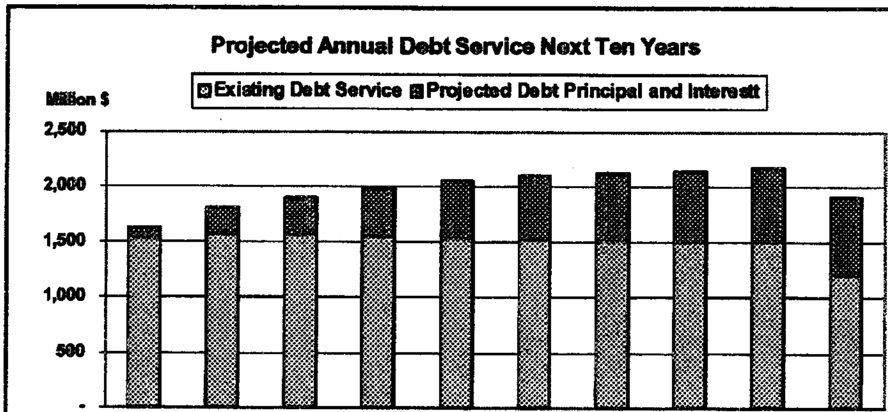
	PECO		Capital		Fla. Forever				Affordable					DCFS		Master	Total
Fiscal Year	Current	Prior	Outlay	Lottery	Current	Prior	ROW	Garvee	Housing	Everglades	SUS	SIB	Prisons	Lease	FLAIR	Lease	Issuance
2005	$ 200	$ 200	$ 61	$ 200	-	$ 250	$ 300	$ -	$ -	$ -	$ -	$ 142	$ -	$ -	$ 42	$ 25	$ 1,420
2006	249	553	-	200	300	100	-	50	-	100	67	-	55	47	12	25	1,759
2007	144	250	-	-	300	-	200	100	-	100	-	-	-	-	-	25	1,119
2008	233	150	-	-	300	-	200	250	-	100	-	-	-	-	-	-	1,233
2009	232	-	-	-	300	-	300	125	100	100	-	-	-	-	-	-	1,157
2010	297	-	-	-	300	-	100	-	-	100	-	-	-	-	-	-	797
2011	354	-	-	-	-	-	100	-	-	100	-	-	-	-	-	-	554
2012	418	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	518
2013	321	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	341
2014	604	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	604
Expected Issuance	$ 3,052	$ 1,153	$ 61	$ 400	$ 1,500	$ 350	$ 1,320	$ 525	$ 100	$ 600	$ 67	$ 142	$ 55	$ 47	$ 54	$ 75	$ 9,502

Figure 8

Approximately $9.5 billion of debt is expected to be issued over the next ten years for all of the State's financing programs currently authorized. This estimated issuance decreased $1 billion compared to the previous projection of expected debt issuance. The decrease in expected debt issuance over the next ten years is due to using cash in lieu of bonding for environmental programs ($300 million) and Classrooms for Kids ($100 million). Other decreases were caused by issuing bonds for the Lottery and Right of Way programs which are not expected to be repeated. ***It is important to note that no debt has been included in the projections for further funding of the constitutional initiative for class size reduction.*** Any borrowing to fund the constitutional initiative or other programs would be in addition to the $9.5 billion expected borrowing detailed above.

PROJECTED DEBT SERVICE

Annual debt service is estimated to grow to $2.2 billion by Fiscal Year 2013 assuming projected bond issuance of $9.5 billion. Figure 9 shows existing debt service and the estimated annual debt service for the projected bond issuance over the next ten fiscal years.



(In Millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Existing	$ 1,539	$ 1,564	$ 1,562	$ 1,549	$ 1,540	$ 1,519	$ 1,511	$ 1,502	$ 1,494	$ 1,202
Projected	93	244	339	437	522	593	623	652	691	713
Total	$ 1,633	$ 1,808	$ 1,902	$ 1,987	$ 2,063	$ 2,112	$ 2,134	$ 2,154	$ 2,184	$ 1,915

Figure 9

LONG-RUN REVENUE FORECASTS

Projected revenue available to pay debt service is one of the two variables used to calculate the benchmark debt ratio. Revenue projections are especially important when they change to reflect a different economic environment. Changes to revenue estimates have a significant impact on the calculation of available debt capacity because of the multiplier effect. The chart in Figure 10 sets forth the estimated revenues available to pay debt service for the next 10 years. Additionally, the chart shows the change in expected revenue collections by comparing the current Revenue Estimating Conference forecast to that of last year.

Projected Revenue Available for State Tax-Supported Debt

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue Available (In Billions):										
Total Revenue Available (Fall 2004 Estimates)	$28.04	$30.97	$31.69	$32.87	$34.31	$36.15	$37.93	$39.63	$42.14	$44.51
Prior Projected Revenues Available (Fall 2003 Estimates)	$25.74	$28.80	$29.44	$30.72	$31.95	$33.12	$34.64	$36.44	$38.31	$0.00
Increase in Revenue Estimate	$2.3	$2.2	$2.3	$2.1	$2.4	$3.0	$3.3	$3.2	$3.8	-
Percent Change in Estimate	8.9%	7.5%	7.7%	7.0%	7.4%	9.1%	9.5%	8.8%	10.0%	-

Figure 10

The current long-run revenue forecast is significantly higher than last year's forecast due to the strengthening economy. The revised revenue forecasts used in the debt analyses reflect increases ranging from $2.3 billion or 8.9% more than last years's forecast for Fiscal Year 2005 to $3.8 billion or 10% more than the previous forecast for Fiscal Year 2013.

BENCHMARK DEBT RATIO

The benchmark debt ratio designated for the debt affordability analysis is debt service to revenues available to pay debt service. ***The guidelines established by the Legislature for the debt ratio include a 6% target and a 7% cap.*** The graphic in Figure 11 shows the historical growth in the benchmark debt ratio over the last ten years and the projected ratio reflecting the most current expected debt issuance and revenue collections.

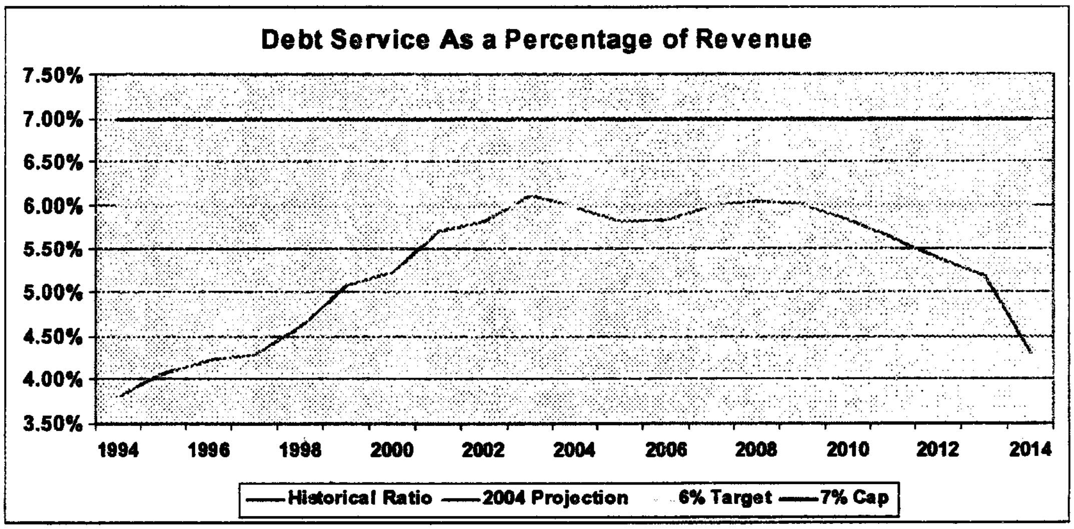


Figure 11

The State's debt position measured by the benchmark debt ratio was 5.94% at June 30, 2004, an improvement from the 6.12% at June 30, 2003 when the 6% target was exceeded for the first time. The benchmark ratio is projected to remain reasonably consistent with the 6% target over the projection period based on existing borrowing plans, current revenue forecast and economic outlook.

Debt Service to Revenues

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
2004 Projection	5.82%	5.84%	6.00%	6.04%	6.01%	5.84%	5.62%	5.39%	5.18%	4.30%

Figure 12

The improvement in the benchmark debt ratio is primarily due to higher than expected revenue collections and the use of cash in lieu of borrowing for environmental programs and class-size reduction during the 2004 Fiscal Year. The additional expected issuance includes one new bond program, the State Infrastructure Bank, which provides additional financing for transportation projects. ***The benchmark ratio does not reflect any additional borrowing which may be necessary to implement the constitutional amendment requiring reduced class sizes*** beyond the $600 million expansion of the lottery bond program enacted by the Legislature in 2003.

CHANGE IN DEBT CAPACITY

The last step in the debt affordability analysis is to estimate the future available debt capacity. Figure 13 sets forth the debt capacity available within the 6% target benchmark, taking into account expected issuance under existing state bond programs. ***The debt capacity available over the next ten fiscal years within the 6% target totals $11.9 billion.*** The estimated debt capacity within the 6% target is not available until 2009 because the benchmark debt ratio is expected to exceed 6% during the intervening time period. ***Future expected debt issuance does not include any additional bonding authorization to implement the constitutional initiative for class size reductions.***

Debt Capacity for 6% Target Benchmark Ratio

(In Millions of Dollars)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Total Capacity	$ 1,420.4	$ 1,758.7	$ 1,119.0	$1,232.8	$ 1,907.4	$ 1,897.4	$ 1,854.1	$ 1,817.6	$ 5,641.2	$ 2,753.9	$ 21,402.4
Expected Issuance	$ 1,420.4	$ 1,758.7	$ 1,119.0	$1,232.8	$ 1,157.4	$ 797.4	$ 554.1	$ 517.6	$ 341.2	$ 603.9	$ 9,502.4
Available Capacity	$ -	$ -	$ -	$ -	$ 750.0	$ 1,100.0	$ 1,300.0	$ 1,300.0	$ 5,300.0	$ 2,150.0	$ 11,900.0

Figure 13

Based on the 6% target benchmark debt ratio, the total bonding capacity over the next ten years would be $21.4 billion. As shown previously, the expected debt issuance for the next ten fiscal years for the existing financing programs is estimated to be approximately $9.5 billion. This leaves approximately $11.9 billion of debt capacity available over the next ten years. This represents a $10.4 billion increase in available debt capacity over last year's estimate. ***The increased capacity is primarily due to the improved revenue forecast reflecting the strong State economy.*** However, as previously noted this debt capacity is not available until 2009 and only $750 million in debt capacity is available over the next five years.

Figure 14 shows the additional capacity under the 7% cap for the benchmark ratio which could be available for critically needed infrastructure. ***The debt capacity available over the next ten fiscal years within the 7% cap totals $18 billion.*** The near term additional debt capacity available through 2009 is $5.35 billion. However, debt capacity can change significantly because of changes in revenue estimates reflecting a different economic environment.

Debt Capacity for 7% Cap Benchmark Ratio

(In Millions of Dollars)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Total Capacity	$ 5,470.4	$ 1,758.7	$ 1,119.0	$ 1,532.8	$ 2,157.4	$ 2,147.4	$ 2,104.1	$ 2,117.6	$ 5,941.2	$ 3,103.9	$ 27,452.4
Expected Issuance	$ 1,420.4	$ 1,758.7	$ 1,119.0	$ 1,232.8	$ 1,157.4	$ 797.4	$ 554.1	$ 517.6	$ 341.2	$ 603.9	$ 9,502.4
Available Capacity	$ 4,050.0	$ -	$ -	$ 300.0	$ 1,000.0	$ 1,350.0	$ 1,550.0	$ 1,600.0	$ 5,600.0	$ 2,500.0	$ 17,950.0

Figure 14

The available debt capacity should be considered a scarce resource to be used sparingly to provide funding for critically needed infrastructure. It is not prudent to use the capacity simply because the financial model indicates it is available. Once used, the capacity is not available again for 20 years. ***The debt capacity available under the 7% cap should be used as a cushion against downturns in the economy*** because the available capacity can evaporate quickly when a slowing economy produces less favorable revenue estimates.

DEBT RATIO COMPARISON

There are three debt ratios used by the municipal industry to evaluate a government's debt position. The three debt ratios are debt service to revenues, debt per capita, and debt to personal income. A comparison to national and peer group medians are helpful because absolute values are not particularly useful without a basis for comparison.

2003 Comparison of Florida to Peer Group and National Medians

	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt Per Capita	Net Tax Supported Debt as a % of Personal Income
Florida	6.12%	$954	3.21%
Peer Group Mean	4.53%	$1,194	3.56%
National Median	Not Available	$701	2.40%

Figure 15

Florida's debt ratios are generally higher than the national averages. The ten-state peer group comparison as shown in Figure 15 shows that, while higher than the national average, Florida's debt per capita and debt as a percent of personal income is lower than the Peer Group mean.

2003 Comparison of Florida to Ten Most Populous States

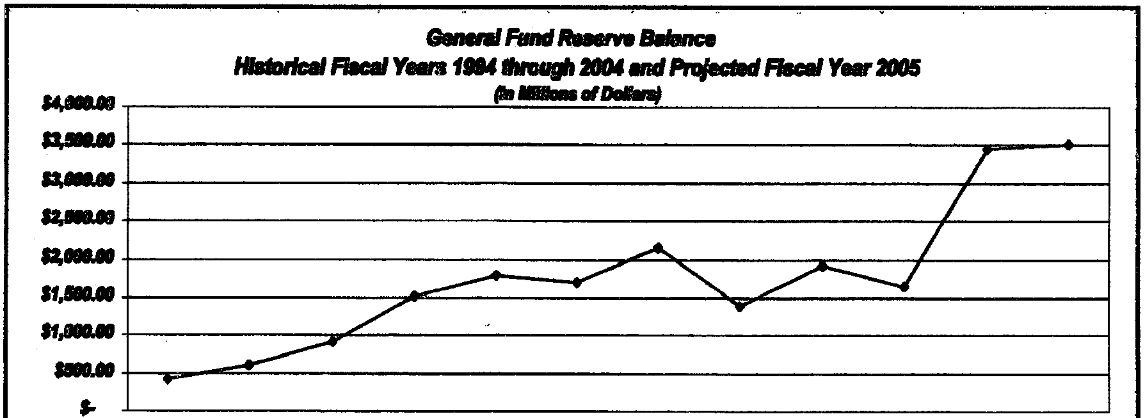
	Rank	Net Tax Supported Debt Service as a % of Revenues	Rank	Net Tax Supported Debt Per Capita	Rank	Net Tax Supported Debt as a % of Personal Income	General Obligation Ratings Fitch/Moody's/S&P
New York	1	10.15%	1	$2,420	1	6.70%	AA-/A1/AA
Florida	2	6.12%	5	$954	4	3.21%	AA/Aa2/AA+
Ohio	3	5.75%	7	$806	7	2.70%	AA+/Aa1/AA+
Illinois	4	5.19%	3	$1,943	3	5.80%	AA-/Aa3/AA
New Jersey	5	5.05%	2	$2,332	2	5.90%	AA-/Aa3/AA-
Pennsylvania	6	3.66%	8	$711	8	2.20%	AA/Aa2/AA
California	7	3.55%	4	$1,060	5	3.20%	A-/A3/A
Georgia	8	2.51%	6	$827	6	2.90%	AAA/Aaa/AAA
Michigan	9	2.18%	9	$670	9	2.20%	AA+/Aa1/AA+
Texas	10	1.09%	10	$220	10	0.80%	AA+/Aa1/AA
Median		4.35%		$891		3.05%	
Mean		4.53%		$1,194		3.56%	

Figure 16

A more meaningful comparison is made by looking at a peer group consisting of the ten most populous states. Figure 16 details the Ten Most Populous State Peer Group Comparison for the three debt ratios evaluated. As indicated above, ***Florida has the second highest ratio for the benchmark debt ratio of debt service to revenues.***

LEVEL OF RESERVES

An important measure of financial health is the level of general fund reserves. The following graphic, Figure 17, shows the level of the State's general fund reserves by combining unencumbered balances in the General, Working Capital and Budget Stabilization Funds over the last ten fiscal years . The graphic also shows an estimate of the expected fiscal 2005 year-end general fund reserves.



(In Millions)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund	$ 411.3	$ 601.8	$ 905.4	$ 1,509.9	$ 1,766.6	$ 1,694.3	$ 2,155.9	$ 1,382.7	$ 1,925.1	$ 1,641.3	$ 3,453.6	$ 3,514.3
% of Revenues	3.15%	4.41%	6.18%	9.62%	10.54%	9.48%	11.47%	7.21%	9.95%	8.21%	15.82%	12.53%

Figure 17

The level of reserves is also an important indicator of the ability to respond to unforseen financial challenges that is relevant in evaluating a state's credit position. The traditional measure used by credit analysts, investors and rating agencies is the ratio of general fund balance to general revenues expressed as a percentage. In measuring State reserves for this purpose, the State's unencumbered general fund balance plus monies in the Working Capital and Budget Stabilization Funds have been included. Trust fund balances which could be considered a "reserve", such as funds in the Lawton Chiles Endowment Fund and other trust fund balances whose purpose is limited by law, are not included.

Florida's general fund reserves have increased substantially over the last ten years from $411 million to $3.5 billion due primarily to the funding of a constitutionally required budget stabilization fund and higher than expected revenue collections last fiscal year. The general fund reserves have increased almost every year except for fiscal years 2001 and 2003 when general fund reserves were drawn-down to mitigate the impact of budget cuts necessary to adjust for expected revenue shortfalls. Notwithstanding difficult economic conditions and drawing down a portion of general fund reserves to mitigate budget cuts, the State has maintained strong general fund reserves. The general fund reserves at the end of fiscal 2004 totaled $3.5 billion or 15.8% of general revenues. The general fund reserves consist of combined balances in the Budget Stabilization Fund ($996.4 million) and General and Working Capital Funds ($2,457.2 million).

The balance of general fund reserves are expected to be maintained during the current fiscal year at approximately $3.5 billion or 14.9% of general revenues. ***Maintaining strong general fund reserves during a difficult economic climate distinguishes Florida from virtually all other states.***

REVIEW OF CREDIT RATINGS

Credit ratings are the rating agencies' assessment of a governmental entity's ability and willingness to repay debt on a timely basis. ***Credit ratings are an important indicator in the credit markets and can influence interest rates a borrower must pay.*** Each of the rating agencies believe that debt management generally and the Debt Affordability Report in particular are positive factors in assigning credit ratings.

There are several factors which rating agencies analyze in assigning credit ratings: financial factors, economic factors, debt factors, and administrative / management factors. Weakness in one area may well be offset by strength in another. However, significant variations in any single factor can influence a bond rating.

State of Florida General Obligation Credit Ratings	
Fitch Ratings	AA
Moody's Investors Service	Aa2
Standard & Poor's Ratings Services	AA+

Figure 18

The State's credit rating has been protected over the last few years through conservative financial management. The State's economy weakened over the last few years consistent with a slowing national economy and exacerbated by the terrorist attacks. The slowing economy was reflected in lower revenue forecasts for 2002 and 2003. Despite being challenged with lower revenue estimates, the State balanced the budget in both fiscal 2002 and 2003 without drawing on the Budget Stabilization Fund. Additionally, the State has managed to maintain strong reserves in the general and working capital funds.

Florida's economy has proved fairly durable during the latest recession and appears to be improving. Actual general revenue collections for the 2004 fiscal year were $477 million more than the March, 2004 estimates. The latest general revenue forecast completed in November, 2004, projected a $1.6 billion increase for the current fiscal year or 7.3% more than the prior revenue estimates. The increase reflects better than expected collections of sales, documentary stamp and intangibles taxes.

The rating agencies note that the State's debt burden has increased significantly to meet the demands of a growing population. However, the debt burden is still considered moderate at the current level. A positive factor cited in rating reports is the formal process established by the legislature for evaluating the State's debt position through this Debt Affordability Report.

The outlook for the State's credit rating is positive and Moody's Investors Service is currently reviewing the State's general obligation bond rating for an upgrade. However, significant challenges to the State's positive outlook are presented by the constitutional amendment on class-size reduction and increased budgetary pressure from Medicaid spending.

CONCLUSION

Florida's debt increased $816 million over the past year, growing slightly less than the ten-year average of $1.2 billion. The expected future debt issuance over the next ten years totals $9.5 billion, approximately $1 billion less than the expected debt issuance from last year. The future expected debt issuance was reduced due to using cash in lieu of bonding for environmental programs and class-size reduction. The expected debt issuance does not include any additional bonding authorizations to fund class-size reduction.

The benchmark debt ratio was 5.94% at June 30, 2004, slightly under the 6% target. The benchmark debt ratio is projected to remain reasonably consistent with the 6% target during the foreseeable future, based on the expected debt issuance and current revenue forecasts.

The projected debt capacity available over the next ten years within the 6% target is $11.9 billion, but only $750 million is available over the next five years. The projected debt capacity available over the next ten years within the 7% cap is approximately $18 billion. However, only $5.35 billion is available over the next five years within the 7% cap. ***The available debt capacity within the 6% target and 7% cap has increased significantly since last year because of higher revenue estimates reflecting a strengthening economy.*** The debt capacity available between the 6% target and 7% cap should be viewed as a cushion against downturns in the economy and used only sparingly for critical needs.

The State's general fund reserves were increased significantly during Fiscal Year 2004 to approximately $3.5 billion or 15.8% of general fund revenues. ***The ability to increase reserves reflects the State's conservative financial management and has strengthened the State's financial position.*** It has also distinguished Florida from other states and demonstrated the ability to effectively manage the State during a difficult recessionary period. This is one of the factors noted by Moody's Investors Service in announcing their review of the State's credit rating for a possible upgrade.

Florida's debt is considered moderate and is manageable at the current level. ***However, the State continues to face the challenge of funding the constitutional amendment to reduce class size which, if financed, could cause the benchmark debt ratio to exceed the 6% target.***

FLORIDA DEPARTMENT OF TRANSPORTATION

BOND FINANCING UPDATE REPORT

2005

Prepared and Published by:
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Finance & Revenue Section

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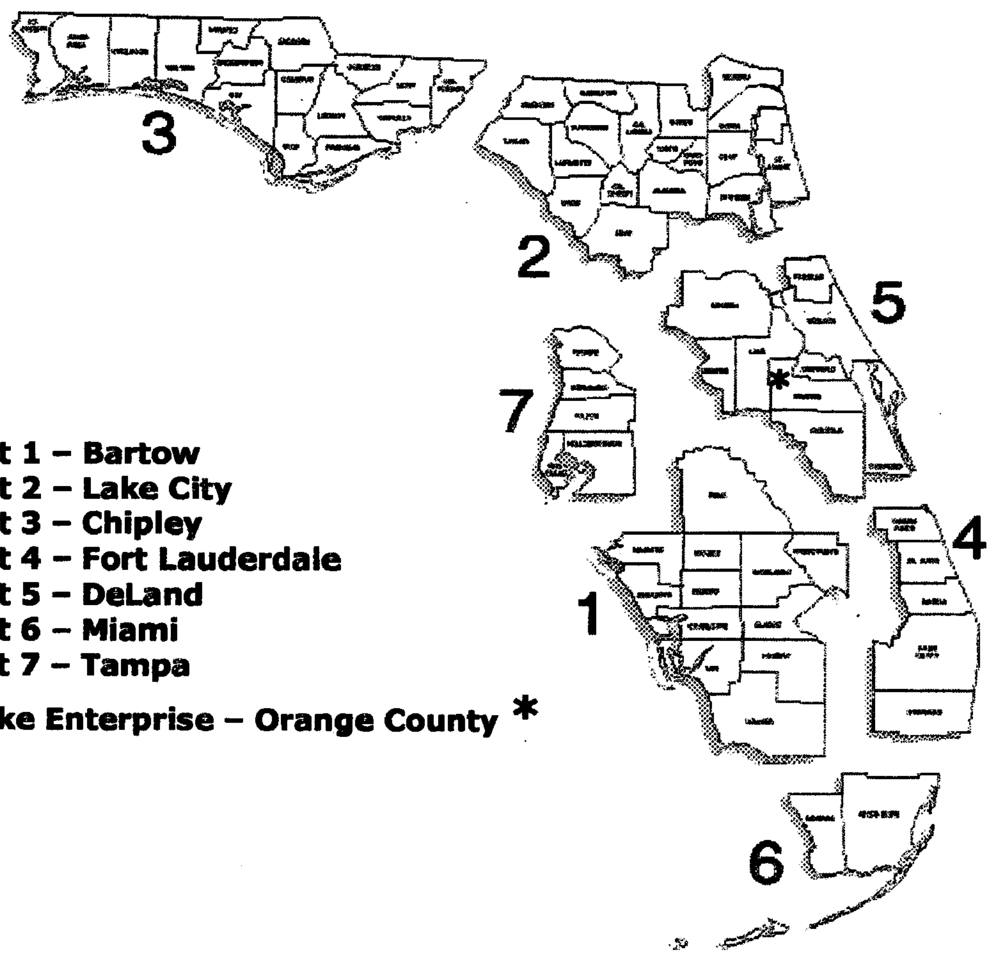
The Florida Department of Transportation (FDOT) is responsible for planning, developing and maintaining the State's Transportation System (consisting of Interstate Highways, Florida's Turnpike, the Strategic Intermodal System, rural and urban highways and other selected urban roads, public transit, rail, airports, and seaports). The Department's mission is "to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity and preserves the quality of our environment and communities."

The primary purpose of the BOND FINANCING UPDATE REPORT is to provide information about the FDOT bond and bond related financing programs and controls. It is not an offer to sell securities or the solicitation of an offer to buy securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The information in this report is not guaranteed. There is no assurance about the accuracy or reliability of the information and there is no obligation to update any information provided in this report.

Organizational Structure

FDOT, in accordance with legislative mandates, is decentralized to allow operational decisions to be made in the Department's seven district offices as well as the Turnpike Enterprise. The Central Office is responsible for policy, procedure, quality assurance, finance, and general administrative functions. The district offices have operational responsibilities. This organizational structure gives local governments and metropolitan planning organizations direct input into the agency at the level where project selection decisions are made.

The Department is headed by the Secretary of Transportation (Secretary) who is appointed by the Governor from among three persons nominated by the Florida Transportation Commission. The Secretary is subject to confirmation by the Senate and serves at the pleasure of the Governor. The Department is decentralized into seven Districts and the Turnpike Enterprise. The District Secretaries and the Executive Director of the Turnpike Enterprise report to the Department's Secretary.



District 1 – Bartow
District 2 – Lake City
District 3 – Chipley
District 4 – Fort Lauderdale
District 5 – DeLand
District 6 – Miami
District 7 – Tampa

Turnpike Enterprise – Orange County *

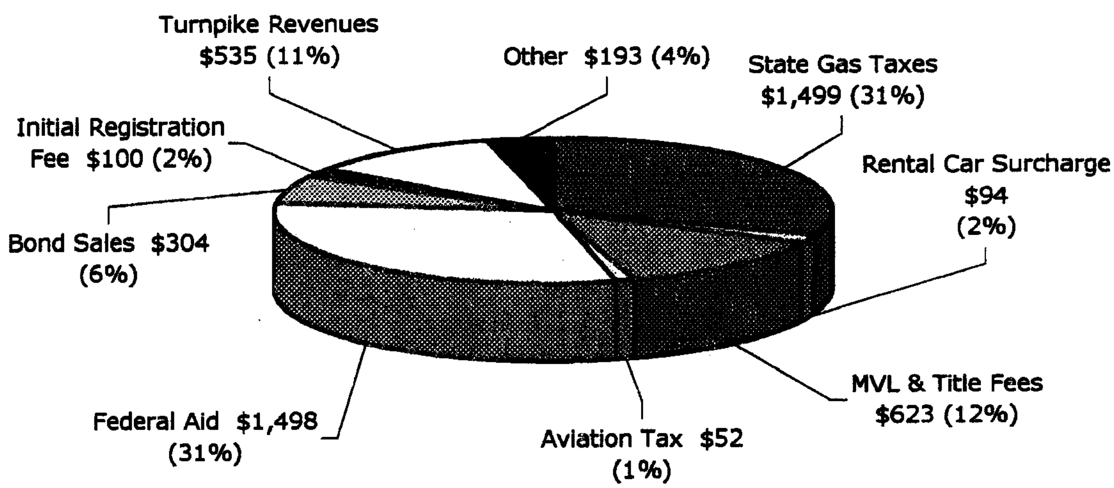
The Florida Transportation Commission

The Florida Transportation Commission (Commission) provides oversight for the activities of the FDOT. The Commission consists of nine members, appointed by the Governor, with private-sector business managerial experience. The Commissioners serve uncompensated, staggered terms of four years and may be reappointed. The Commission is independent from the Department, with its own staffing, and is responsible for monitoring production and financial status of the Department on a regular basis to ensure that the Department is managing revenues and bond proceeds responsibly and in accordance with law and established policy. The Commission ensures that the Department's work program is in compliance with all applicable laws and established policies. The Commission is statutorily prohibited from entering into the day-to-day operations of the Department, such as awarding of contracts, selecting project routes or granting permits.

Transportation Financing

With a combined annual operating and capital outlay budget of over $5 billion, FDOT finances its operations from a variety of revenue sources. In fiscal year 2003-2004, state sources provided nearly one-half of all revenues that came from a broad base of dedicated transportation taxes and fees such as motor fuel taxes, aviation fuel taxes, motor vehicle license taxes, title fees, rental car surcharges and vehicle impact fees. One-third of revenues were generated from federal aid. The balance of revenues came from bond sales, toll collections, local government participation and a variety of miscellaneous sources.

Transportation Financing - Where it Comes From
Revenue Levels for Fiscal Year 2003/2004
in $ Millions



The Department manages its financial resources through a limited number of trust funds and related accounts. Significant trust funds include the State Transportation Trust Fund, the Right of Way Acquisition and Bridge Construction Trust Fund, the Toll Facilities Revolving Trust Fund, and various Florida Turnpike trust funds. The Department also administers the Transportation Disadvantaged Trust Fund.

The State Transportation Trust Fund (STTF) is a consolidated transportation fund that includes all major revenue sources other than bond and related funds. Revenue sources include state tax revenues, federal aid reimbursements, local funds, toll operation reimbursements and various miscellaneous revenues and fees. Outlays include design costs, right of way land purchases, environmental mitigation, public transportation assistance, administrative costs, debt service, routine maintenance costs including those related to toll facilities, construction costs and toll operation costs for those toll facilities that are owned or operated by the Department. Also, the Florida State Infrastructure Bank (SIB) is administered through the STTF in separate accounts on deposit with the State Treasury.

The Right of Way Acquisition and Bridge Construction Trust Fund contains the funds for the Right of Way and Bridge Construction bonding program. Accounts have been established within this fund to deposit bond proceeds, track investment earnings, pay project expenditures and make debt service payments primarily from gas tax revenues.

The Toll Facilities Revolving Trust Fund is a revolving loan fund. It was initially capitalized with funds transferred from the STTF in the mid-1980s. Current revenues consist of repayments of prior loans and interest earnings by or on behalf of expressway and bridge authorities and local governments.

The Turnpike trust funds include those funds and accounts that are required by the Master Resolution for the Florida Turnpike System. They include the Revenue, Operating and Maintenance, Renewal and Replacement, General Reserve, and various bond construction trust funds.

Bond Financing Programs

Bond financing plays an important role in addressing the State's total transportation financial needs. General Obligation bonds are used to accelerate the purchase of rights-of-way for roads and to finance major bridge construction projects. Revenue bonds are used to finance 1) Florida's Turnpike improvement and expansion projects (see also the Florida's Turnpike section), 2) transportation and environmental improvements related to other Department operated toll facilities (see also the Department Owned and Operated section), and 3) capital improvements to the State's Seaports.

Right of Way Acquisition and Bridge Construction Bonds
In 1988, Florida voters approved an amendment to Section 17, Article VII of the State Constitution authorizing the issuance of bonds to acquire right of way for roads and to construct bridges. The Florida Legislature approved the use of these bonds for the advance acquisition of right of way land beginning in 1991 and bridge construction beginning in 1994. Current law provides that a maximum of 7% of state transportation tax collections, not to exceed $200 million, may be used for annual debt service. The Full Faith and Credit of the State of Florida additionally secure the bonds. For fiscal years 1990-91 through 2008-09, the Department has allocated $2.9 billion in right of way and bridge construction projects to be financed with bonds. Through fiscal year 2003-04, $1.8 billion of this has been committed. The remaining projects are planned for fiscal years 2004-05 through 2008-09. Three-fourths of the funds are being spent on right of way and one-fourth on bridge construction.

During the nineteen year period from fiscal years 1990-91 through 2008-09, $2.9 billion in Right of Way Bond funds will be used to leverage approximately $18.1 billion in total project costs. Examples of major right of way leveraging projects include $69.5 million in bond funds for right of way acquisition towards the total estimated project cost of $1.35 billion for phase I of the Miami Intermodal Center; a $26.4 million bond fund grant to Orlando-Orange County Expressway Authority (OOCEA) for the $237.5 million Western Beltway Part A project; $8.5 million in bond funds for the $61 million Brannon Field Chaffee project in Duval County; $34.2 million in bond funds for the $265 million Seminole Expressway, Project 2; and $15.9 million in bond funds for the $500 million Polk Parkway project.

A total of $1,863.7 million in bonds have been issued to date: $50 million, Series 1991 bonds issued November, 1991 (6.47%); $63.7 million, Series 1993 bonds issued June, 1993 (5.43%); $150 million, Series 1995 bonds issued April, 1995 (5.79%); $150 million, Series 1996 bonds issued June, 1996 (5.57%); $200 million, Series 1997A bonds issued July, 1997 (5.13%); $150 million, Series 1997B bonds issued October, 1997 (5.15%); $150 million, Series 1999 bonds issued in March, 1999 (4.87%); $150 million, Series 2002 bonds issued in February, 2002 (4.93%); $200 million Series 2002A bonds issued in September 2002 (4.53%), $300 million Series 2003A bonds issued in September 2003 (4.67%) and $300 million Series 2004A bonds issued in July 2004 (4.64%).

The Department tentatively plans to serially issue $1.3 billion of bonds over the next ten years to further implement the right of way and bridge program. The forecast of pledged motor fuel tax collections over a comparable period indicates strong coverage levels are maintained for future estimated debt service requirements. Despite the aggressive accumulation of debt required to meet the expanding state transportation needs, the financial strength should remain stable. To support this conclusion, the following strengths should be taken into account:

- High coverage by the pledged Motor Fuel Sales Tax – robust stable cash flows of the pledged revenues provide debt service coverage ratios significantly higher than required. The motor fuel sales tax is indexed to the consumer price index on an annual basis to maintain equality with the increase in cost of goods and services.
- The unconditional full faith and credit pledge of the State.

The credit rating of the bonds (Aa2, AA+, AA) reflects both the strong historical coverage of debt, and the full faith and credit pledge of the State. In combination they provide extremely strong protection for bondholders over the long term.

Right of Way and Bridge Construction Bonds
Debt Service Coverage
($ in millions)

Fiscal Year Ended June 30	Projected Motor Fuel Tax Available for Debt Svc (1)	Actual Debt Service (2)	Current Coverage	Planned Debt Service (3)	Planned Coverage
2005	949.400	123.0	7.72x	123.0	7.72x
2006	1053.300	122.6	8.59x	122.6	8.59x
2007	1103.700	122.5	9.01x	136.0	8.12x
2008	1149.100	122.4	9.39x	150.1	7.66x
2009	1197.700	122.5	9.78x	172.0	6.96x
2010	1251.700	122.4	10.23x	179.4	6.98x
2011	1312.300	122.5	10.71x	186.9	7.02x
2012	1368.900	122.4	11.01x	194.3	7.05x
2013	1438.000	122.4	11.75x	195.8	7.34x
2014	1512.900	122.4	12.36x	195.7	7.73x

Notes:

(1) Projected motor fuel sales tax adopted by the Florida Estimating Conference on Transportation revenue dated March 2005
(2) Debt service on bonds currently outstanding includes $1.9 billion as of June 30, 2004.
(3) Includes projected debt service on planned issuance of $1.3 billion in bonds over the next 10 years.

Turnpike Bonding Program

Florida's Turnpike utilizes a combination of cash and revenue bonds to improve and expand the system. Conservative policies guide the Turnpike in managing its bond program. Bonds are sold for projects that have a useful life equal to the term of the bonds (30-year bonds for projects with a life of 30 years or more), level debt service, and a prohibition of bonding for operating costs.

Since 1989, the Turnpike System has added over 100 miles to the system through the issuance of nearly $2.3 billion in new bonds to fund Mainline improvements and expansion Projects. During 2004 the Turnpike issued bonds to fund the Western Beltway Part C expansion project which will add an additional 11 miles to the system by December 2006. As of December 31, 2004, the outstanding principal balance of bonds issued since 1989 stands at $2.1 billion. The Turnpike System has defeased certain bonds by placing sufficient funds into irrevocable trusts to provide for all future debt service payments on the defeased bonds.

The Florida Legislature, recognizing the importance of the Turnpike System to Florida's transportation network, authorized an increase in the Turnpike's bonding capacity from $3.0 billion to $4.5 billion in 2003. Without this additional authorization to issue bonds, the Turnpike would have been limited in its ability to build the current five-year work program.

Current projections indicate the need to issue close to $2.0 billion of Turnpike bonds through Fiscal Year (FY) 2010 to fund its capital improvement program as well as an additional $0.1 billion after FY 2010 to finish funding commitments through FY 2010. Coupled with existing issues of $2.3 billion, the Turnpike will use $4.4 billion of the $4.5 billion cap to finish funding the current work program. The next series of bonds is scheduled to be issued in November of 2005 for $470 million.

The new five-year capital improvement program includes funding for various widening projects, several new interchanges and interchange modification projects, several Toll Plaza Express Lane projects, as well as $350 million of right-of-way for the I-4 Xpress Lanes project in Orlando, $80 million for the I-4 Connector project in Tampa, and $113 million for the Sawgrass Open-Road-Tolling (ORT) project. The following table identifies the significant widening, interchange, and Express Lane projects in the next five years.

Widenings	Interchanges
Beeline From I-4 To Sand Lake Rd (4 TO 6)	SR417 Interchange - Mainline
Turnpike From HEFT To North Of Johnson St (6 TO 8)	Ridge Road Interchange - Suncoast
Turnpike From North Of Johnson St To Griffin Rd (6 TO 8)	SW 8th Street Interchange Modification - Mainline
HEFT From South Of SW 117th St To South Of Kendall (6 TO 8)	Hollywood Blvd Interchange Modification - Mainline
Turnpike From Lantana Toll Plaza To Lake Worth Rd (4 TO 8)	Jog Road Partial Interchange - Mainline
Turnpike From Beulah Rd To SR 50 (4 TO 8)	Lake Worth Road Interchange Modification - Mainline
Sawgrass From Atlantic Blvd To Coral Ridge Dr (4 TO 6)	Kissimmee Park Road Interchange - Mainline
Turnpike From I-4 To Beulah With Aux Lanes (4 TO 8)	Becker Road Interchange - Mainline
Turnpike From Atlantic Blvd To Sawgrass (6 TO 8)	Express Lane Plazas
HEFT From North Of Eureka Dr To North Of SW 117 Ave (8 TO 10)	Okeechobee, Bee Line West, Golden Glades, Cypress
HEFT From SW 216th St To North Of Eureka Dr (6 TO 8)	Creek, Homestead, Lantana

Based on the structure of the current finance plan, the Turnpike System's net debt service coverage ratio is expected to remain at 1.9 or better through 2010.

Florida's Turnpike Debt Service Coverage
(in thousands)

FY Ended 6/30	Toll Revenue	Concession Revenue	Gross Operating Revenue	Operations & Maint. Expense	Net Revenue	Debt Service	Times Debt Service Coverage	
							Net Revenue	Gross Revenue
2004	521,223	8,513	529,736	150,332	379,404	165,398	2.3	3.2
2005e	552,485	6,000	558,485	158,123	400,362	176,581	2.3	3.2
2006e	609,025	6,204	615,229	151,746	463,483	178,015	2.6	3.5
2007e	633,132	6,414	639,546	163,118	476,428	210,940	2.3	3.0
2008e	655,478	6,631	662,109	169,648	492,461	243,633	2.0	2.7
2009e	681,111	6,796	687,907	175,998	511,909	268,002	1.9	2.6
2010e	707,500	6,966	714,466	183,959	530,507	285,352	1.9	2.5

O&M for 2005 reflects estimated increase in costs related to Hurricanes Charley, Frances, Ivan, and Jeanne. Fiscal Year 2007, 2008, and 2009 include estimated revenues, O&M, and debt service on Western Beltway Part C. Concession revenue estimates are shown net of Road Ranger costs (FY2005-FY2010). Debt service for FY2004 and FY2005 includes debt service on the 1995A issue which is covered by the 2003B escrow account.

In November of 2004, the Turnpike executive management team met with the three nationally-recognized rating agencies to present the Turnpike's bold capital improvement program and finance plan. Both Standard & Poor's Ratings Service and Fitch Ratings Service reaffirmed the Turnpike's high bond rating. Additionally, Moody's Investors upgraded their rating for the Turnpike bonds from Aa3 to Aa2 based on continued strong growth in traffic and revenue despite economic conditions, the relative inelasticity of demand for Turnpike facilities, and the geographic and economic diversity of the Turnpike's service area. As a result, the Turnpike was able to borrow $279 million as a part of the 2004A bond sale in December 2004 at an effective interest rate of 4.54% resulting in lower forecasted debt service than originally planned. The ability of management to bring projects on-line, on time, within budget, and conservatively manage the Turnpike program, coupled with strong revenue growth, should allow the Turnpike to maintain high bond ratings into the future.

Grant Anticipation Revenue Vehicles (GARVEE) Bonds
Section 215.616, F.S., authorizes pledging future Federal-aid reimbursements to pay debt service for GARVEE bonds, caps annual debt service at 10 percent of annual Federal highway apportionments, and limits bond terms to 12 years. This generates about $1.1 billion of bond capacity.

Federal Funds Available for Debt Service ($ in millions)		
FFY	**Estimated Apportionments**	**10%**
2005	$1,481	$148.1
2006	$1,535	$153.5
2007	$1,575	$157.5
2008	$1,612	$161.2
2009	$1,650	$165.0
2010	$1,689	$168.9

Federal aid funding levels are based on the official Federal Aid Highway Forecast of June 2004.

GARVEE bonds provide the opportunity to leverage federal-aid highway funds to accommodate major projects that may preempt the Department's capital program and advance phases of various statewide projects by composite issuance.

GARVEE bond advantages include: allows multi-year funding commitments with sources other than Federal grants while preserving access to the Federal-aid which would be applicable to the project over a period of years; maximizes scarce revenues to meet the cash flow needs of transportation infrastructure; allows for the acceleration of needed projects; and enhances a diversified and positive economic growth with improved highway and intermodal transportation facilities.

GARVEE bond disadvantages include: interest on the debt and other related financing costs are an addition to the actual costs of the project (however, the advancement of the project from an outer year could more than offset these costs by inflationary savings) and bonding commits future funds to pay annual debt service for the life of the bonds. The Governor and Secretary of Transportation have recommended a conservative and slow approach to implementation of any GARVEE bond programs. For example, the Governor's Mobility 2000 Initiative includes issuance of $325 million of GARVEE bonds during the work program period. Also, the Governor's 2001 Economic Stimulus package includes issuance of $200 million of GARVEE bonds during the work program period. This pledges approximately 4% of available federal funds, and is well below the level recommended by the Florida Division of Bond Finance in their Debt Affordability Study.

GARVEE Bonds
Pro Forma Debt Service Coverage
($ in millions)

Fiscal Year Ended June 30	Projected Federal Aid Available for Debt Svc (1)	Planned Debt Service (2)	Planned Coverage	Maximum Allowable Debt Service (3)	Pro Forma Coverage
2008	1,826.9	6.7	272.7x	161.2	10.6x
2009	1,634.6	42.0	38.9x	165.0	9.5x
2010	1,672.2	64.7	25.8x	168.9	9.8x
2011	1,523.9	64.6	23.6x	173.3	9.0x
2012	1,607.6	64.6	24.9x	178.0	9.0x
2013	1,700.5	64.5	26.4x	182.6	9.3x
2014	1,793.7	64.5	27.8x	187.2	9.6x
2015	1,846.0	64.5	28.6x	161.2	10.6x

Notes:

(1) Projected Federal Aid Highway Reimbursements based on the Finance Plan for the Tentative Work Program dated March 8, 2005.

(2) Planned debt service on planned issuance of $525 million in bonds in Fiscal Years 2008 and 2009.

(3) Maximum annual debt service for the program allowable under Section 215.616, FS which is 10 percent of annual apportionments based on the official Federal Aid Highway Forecast of June 2004.

Fixed Guideway Bonds

Section 215.615, F.S., authorizes the use of up to two (2) percent of the state's transportation revenues to issue bonds to finance the building, adding, or reconstructing of fixed guideway systems in urban areas. These state transportation revenues are a part of the fifteen (15) percent of state revenues that must be allocated for public transportation. Each bonded project must be approved by the legislature. This bond program can generate $500-$600 million in bonding capacity for fixed guideway systems. Currently, there are no projects proposed for legislative approval.

Florida Ports Financing Commission

The Commission, a unit of local government, was created in 1996 through an Interlocal Agreement among three port authorities for the purpose of collectively financing participating ports' economic development programs on a more cost effective basis. To assist in the funding of such a program, the Legislature directed that $15 million of motor vehicle license taxes that are deposited in the State Transportation Trust Fund (STTF) each year shall be used specifically for this program. Under a Master Agreement with the Commission, the Department agreed to transfer annually in July, the $15 million from the STTF to an escrow account, held on behalf of the Trustee, to provide for debt service requirements. The Florida Ports Financing Commission in December 1996, issued $222.3 million principal amount of bonds for the purpose of providing capital improvements at various deep water ports. The bonds are payable from the pledge of and lien on $15 million annually of motor vehicle license taxes.

In addition to the $15 million previously authorized, the 1997 Legislature authorized an additional $10 million per year of the motor vehicle license taxes deposited in the STTF beginning July 1, 2001 for the purpose of funding seaport economic development and seaport intermodal access projects. The 1999 Legislature subsequently advanced the date of deposit to July 1999. In October 1999, the Florida Ports Financing Commission issued $153.1 million principal amount of bonds secured by this additional $10 million per year. Such revenues may be pledged for the payment of debt service on bonds issued by an individual port, a local government having jurisdiction over a port or the pooled financing program of the Florida Ports Financing Commission. The 2000 Legislature made changes to the program such that the Florida Division of Bond Finance at the request of the FDOT will issue future new bond issues. For additional information, contact the Florida Ports Council at (850) 222-8028, or visit their web site at http://www.flaports.org/.

Bond Financing Support Programs

The Department has historically used a variety of forms of financial assistance to support bond-financed projects. These include covenants to complete, operations and maintenance pledges entered into through Lease-Purchase Agreements, STTF advances, covenants to pay Turnpike operations and maintenance costs, Toll Facilities Revolving Trust Fund loans to pay for project development and feasibility assessment costs, and SIB loans for project costs and to reimburse interest costs.

Lease-Purchase Agreements

The Florida Expressway Authority Act authorizes the Department to enter into Lease-Purchase Agreements with expressway and bridge authorities. Such authorities may be established in Statute or by resolution adopted by the board of county commissioners of any county or two or more contiguous counties located in the same FDOT district. The Department may covenant in a Lease-Purchase Agreement that it will pay all or any part of the cost of the operation or maintenance of an expressway system, thereby enabling the authority to sell more revenue bonds through pledges of gross toll revenues. The Department also is authorized to covenant to complete authority projects under certain conditions. With the exception of Florida's Turnpike, the financing of nearly every major toll facility project constructed in Florida over the past 40 years has benefited from one or more of these Lease-Purchase Agreement covenants.

Lease-Purchase Agreements are currently in place for Mid-Bay Bridge Authority, Santa Rosa Bay Bridge Authority, Tampa-Hillsborough County Expressway Authority and for parts of the Orlando-Orange County Expressway system.

State Transportation Trust Fund Advances

Section 339.08(2)(g), F.S., allows the Department to lend or pay a portion of the operating, maintenance, and capital costs of a revenue-producing transportation project that is located on the State Highway System or that is demonstrated to relieve traffic congestion on the State Highway System from the STTF. Such advances are negotiated with local governmental entities/Turnpike based on need and to the extent funds are available from the STTF. This enables the local governmental entity/Turnpike to advance construction or right-of-way and reduces the need by the entity to issue bonds.

Currently, STTF advances have been provided to the Mid-Bay Bridge Authority, Tampa-Hillsborough County Expressway Authority, the Emerald Coast Bridge Authority and the Turnpike. An advance of $4.4 million was provided to the Mid-Bay Bridge Authority for the southern approach improvements. This enabled the Authority to start construction on the improvements without having to issue additional bonds. The advance will be repaid out of annual toll revenues after the Authority has paid its annual debt service, O&M expenses, and other required repayments. The Tampa-Hillsborough County Expressway Authority received $111.7 million in STTF advances. These will be used on the Brandon Area Feeder Roads and Reversible Lanes Projects. All but $1.7 million is required to be repaid upon the issuance of 2005 bonds by the Authority. The $1.7 million will be repaid out of annual toll revenues after the Authority has paid its annual debt service, O&M expenses, and other required repayments on loan advances. The Emerald Coast Bridge Authority received an advance of $300,000 from the STTF in FY 2004. This advance was used to conduct analysis to determine the feasibility and best location for a new toll facility in northwest Florida. The loan will be repaid from future toll revenues after the toll facility is built or from the Department's District Three Work Program funds if a toll facility is determined to be unfeasible. The Turnpike received an STTF advance for $125.4 million in FY 2001 for the defeasance of the Sawgrass Expressway bonds. Through January 2005, $123.0 million of this advance has been repaid, with the balance of $2.4 million to be paid in FY 2007.

Long-Term Debt for Toll Facilities

The following table displays the current and projected status of debt due the STTF from the ten Department owned and/or operated toll facilities and Florida's Turnpike. This debt is the combined impact of the various financial support programs including the advances from STTF for operating and maintenance, as well as capital costs.

Projected Long-Term Debt Due STTF for Toll Facilities ($ in millions)												
FYE	EVERGLADES	BEELINE	MDX	GARCON	MID-BAY	NAVARRE	OOCEA	BAYWAY	SKYWAY	THCEA	TURNPIKE	TOTAL
2004	-	13.1	5.4	8.2	18.2	3.1	172.2	29.2	14.9	218.8	34.6	517.7
2005	-	16.0	1.4	9.3	16.6	3.5	182.2	29.9	11.5	118.3	40.1	428.8
2006	-	22.1	-	10.6	16.3	-	192.5	43.2	11.0	123.6	50.7	470.0
2007		25.2	-	11.8	16.0	-	203.2	50.5	13.2	128.1	59.8	507.8
2008	24.4	25.4	-	13.1	15.8	-	214.3	52.6	11.3	134.3	71.7	562.9
2009	44.1	24.5	-	14.4	15.3	-	225.7	54.0	9.1	155.1	83.1	625.3
2010	89.4	23.7	-	15.7	14.8	-	237.6	56.0	6.6	170.6	93.1	707.5

Notes:

Everglades - The entire toll facility is being resurfaced. When revenues become insufficient to pay all resurfacing (R&R) costs, any unmet R&R obligations will be set-up as a long-term debt to STTF.

Beeline East Expressway – Operations and maintenance (O&M) expenses are paid by STTF and set up as a long-term debt. Revenues applied to reconstruction of SR 520.

Miami-Dade Expressway System (MDX) – The system was transferred to Miami-Dade Expressway Authority in December 1996. The Transfer Agreement provides for repayment of long-term debt at approximately $2 million per year.

Garcon Point Bridge – O&M expenses and R&R costs are paid by STTF and set up as a long-term debt.

Mid-Bay Bridge –R&R costs are paid by STTF and set up as a long-term debt. Excess revenues applied to long-term debt in accordance with bond covenants.

Navarre Bridge – The bridge will be transferred to Santa Rosa County and all outstanding debt due from Navarre toll revenues will be forgiven as part of the transfer.

Orlando-Orange County Expressway System (OOCEA) – O&M expenses for Holland and Orlando Airport, and maintenance expenses for Beeline are paid by STTF and set up as a long-term debt.

Pinellas Bayway – Chapter 95-382 Laws of Florida requires that toll revenue in excess of operation expenses is first to be utilized to pay for construction costs of the Blind Pass Road Project and Phase II prior to repaying long-term debt. STTF pays all maintenance expenses and R&R costs and records them as long-term debt.

Sunshine Skyway Bridge – Excess revenues are applied to reduce long-term debt. R&R costs are added to long-term debt.

Lee-Roy Selmon Crosstown Expressway (THCEA) – O&M expenses that exceed the annual O&M budget and R&R costs are paid by STTF and set up as a long-term debt, in which includes $110 million in STTF loans to be repaid by FY 2005.

Florida's Turnpike –Three projects (SR 80 interchange, Seminole II and Suncoast) are receiving an O&M subsidy from STTF, and one project (Suncoast II) is receiving an O&M grant from STTF. $125.4 million for defeasance of Sawgrass Bonds will be repaid by FY 2007.

As of July 1, 2004, toll collection on the Department owned Navarre Bridge was discontinued in accordance with the "Memorandum of Agreement to Terminate Lease-Purchase Agreement and Transfer Navarre Bridge". In this Agreement, the Department agreed to discontinue toll collection and transfer the bridge to Santa Rosa County. The Department will forgive any debt owed to the STTF and the county will forgive any debt owed to the county from toll revenues of the Navarre Bridge. As part of this Agreement, once all title and transfer paperwork is signed by the county, the Department will provide $4 million from STTF to the county to help offset future operations, maintenance, and improvements to the bridge.

Operation and Maintenance Loans for Florida's Turnpike Projects

Section 338.223(4), Florida Statutes, limits the maximum net amount of operating and maintenance (O&M) loans for new Turnpike projects. Prior to 2002 the limit was 0.5 percent of state transportation tax revenues for any fiscal year. In House Bill (HB) 261, creating the Turnpike Enterprise (see Florida's Turnpike Enterprise), the maximum amount of O&M loans was raised to 1.5 percent of state transportation tax revenues for any fiscal year. Current financial plans include O&M for three Turnpike expansion projects. The subsidies for Suncoast Parkway began in FY 2001, SR 80 began in FY 2002, and Seminole Expressway, and Project 2 began in FY 2003. These loans are scheduled to begin repayment in FY 2012. The Turnpike is working with the Department on a plan to increase the amount of O&M loans that can be made available to the Turnpike. Additionally, the Department has agreed to pay for the O&M on the Suncoast Parkway, Part II starting in FY 2014 in order to assist in the financing of the project.

Department Covenant to Pay Florida's Turnpike System Operation and Maintenance Costs

As authorized by Section 206.46(5), Florida Statutes, (adopted by the 1997 Legislature in Section 4, Chapter 97-280, Laws of Florida), the Department, on August 21, 1997, executed a "Certification of Covenant to Pay Costs of Operation and Maintenance" (Covenant) for the Turnpike System from moneys in the State Transportation Trust Fund (STTF). By its terms, the Covenant (1) is a contract with Bondholders and is enforceable by them, (2) is not subject to repeal, impairment or amendment in any manner which would materially and adversely affect the rights of Bondholders, and (3) may only be modified or amended upon compliance with the "Modification or Amendment" section of the Resolution. This Covenant has been included in each bond issue since 1998 and will be included in all subsequent issues. To date, the Turnpike System has made all required deposits into the Operations and Maintenance Account and has made all payments to the STTF for Operations and Maintenance costs incurred on behalf of the Turnpike System. During FY 2004, the gross revenue pledge was in full effect since all gross revenues were available first to pay debt service on related bonds and then to repay the STTF for Operations and Maintenance costs paid on behalf of the Turnpike System. Current financial plans indicate that sufficient revenues will accrue to the Turnpike System to meet required payments.

Toll Facilities Revolving Trust Fund Loan Program

The FDOT administers the Toll Facilities Revolving Trust Fund (TFRTF) program. The purpose of the program is to encourage the development and enhance the financial feasibility of revenue-producing road projects undertaken by local governmental entities in a county or combination of contiguous counties. Interest free loans are provided as "seed money" to pay initial development costs such as environmental impact studies, financial advisory services, engineering design, right-of-way map preparation and right-of-way land acquisition. Since its inception in 1986, the Toll Facilities Revolving Loan program has awarded and advanced $175.5 million in loans to 19 local governments, expressway authorities and the Turnpike Enterprise. To date $115.4 million has been repaid and "revolved" into new loans, and $3.7 million has been written off as uncollectible. Examples of projects assisted with Toll Facilities Revolving Loans include: Orlando East-West Expressway, Veterans Expressway, Seminole Expressway- Projects 1 and 2, Mid-Bay Bridge, Garcon Point Bridge, Western Beltway in Orange County, Colonial Boulevard Extension in Lee County, I-4/Crosstown Expressway Connector in Tampa, and the State Road 836 toll plaza in Miami-Dade County.

Projects that are currently using TFRTF loans are the Cape Coral Bridge and Sanibel Causeway in Lee County, the northern approach improvements at Mid-Bay Bridge, the SR 836 project in Miami-Dade County, and the reversible lanes project in Tampa-Hillsborough County. The use of the TFRTF has enabled the projects to successfully proceed and may assist in the promotion of future bond sales, if necessary, to fund construction of the projects.

Visit the Website at: http://www.dot.state.fl.us/financialplanning/Finance/tfrtf.htm

State Infrastructure Bank (SIB)

The State Infrastructure Bank (SIB) is a revolving loan and credit enhancement program consisting of two separate accounts. The federal-funded SIB account (created in 1997) is capitalized by federal money matched with state money as required by law; the state-funded SIB account (created in June 2000) is capitalized by state money only.

The SIB can provide loans and other assistance to public and private entities carrying out or proposing to carry out projects eligible for assistance under state and federal law. Highway and transit projects are eligible for SIB participation. SIB participation from the federal-funded SIB account is limited to projects, which meet all federal requirements pursuant to the Transportation Equity Act for the 21st Century, Public Law 105-178, Section 1511, 23 USC § 181, and the applicable federal guidelines. SIB participation from the state-funded SIB account is limited to a transportation facility project that is on the State Highway System or that provides for increased mobility on the state's transportation system in accordance with Section 339.55, Florida Statutes. Key differences between the state and federal SIB include project eligibility, local comprehensive plan requirements, right-of-way acquisition and project standards.

The SIB can leverage funds through loans and credit enhancement assistance to improve project feasibility. In June 2005, $62.3 million of State Infrastructure Bank Revenue Bonds Series 2005-A were sold. The SIB cannot provide assistance in the form of a grant. The amount of any loan or other assistance may be subordinated to

other debt financing for a project with an investment grade rating of "BBB" or higher. Loans from the SIB may bear interest at or below market interest rates, as determined by the Department.
Florida's SIB is established as escrow accounts in the Florida State Treasury. The State Treasurer, in accordance with established state investment guidelines, invests all proceeds. To date, $126 million has been deposited in the federal-funded SIB account, and $145 million has been deposited in the state-funded SIB account. Through the end of the tentative work program (FY 2010), $54 million is scheduled to be deposited in the state-funded SIB account.

Applications for federal-funded and state-funded SIB loans are accepted during an annual advertised award cycle. Evaluation and awards will be processed on an advertised basis. Visit the website at:
http://www.dot.state.fl.us/financialplanning/Finance/sib.htm.

State-funded SIB

FDOT has awarded 23 state-funded SIB loans totaling $547.5 million to date. These awards advanced $3.8 billion of total project costs. An example is a $35 million construction loan for the $310 million Lee Roy Selmon Reversible Lanes project in Hillsborough County. Another example is a $35 million loan for the right-of-way acquisition of the Apopka Bypass in Orange County with a $266 million total project cost.

Summary of the State-funded State Infrastructure Bank ($ in Millions)		
$ IN MILLIONS	**SIB ASSISTANCE**	**TOTAL PROJECT COST**
Executed Loans	$348.0	$2,951.3
Loans Pending	$199.5	$801.7
TOTAL	$547.5	$3,753.0

Federal-funded SIB

To date, Florida's federal-funded SIB has approved 27 loans totaling $319.8 million advancing $1.1 billion of project costs. An example is a $57 million construction loan for the $265 million Seminole Expressway, Project 2 that is funded with a combination of TFRTF loans, Right of Way Bonds and Federal Funds. Four loans have been made to local transit agencies for the purchase of trolleys, buses and paratransit software.

Summary of the Federal-funded State Infrastructure Bank ($ in millions)		
$ IN MILLIONS	**SIB ASSISTANCE**	**TOTAL PROJECT COST**
Executed Loans	$303.3	$1,079.2
Loans Pending	$16.5	$29.8
TOTAL	$319.8	$1,109.0

Noteworthy Events
During FY 2005, the State of Florida suffered damage due to several hurricanes that made landfall in or near Florida. In response to damages suffered by airports and seaports across Florida, the Department initiated a Hurricane Relief SIB to provide financial assistance until insurance or other funds (e.g., FEMA, FHWA, FAA, etc.) are received by the entities. A transfer was made of $26.6 million from STTF to fund the emergency SIB. All required funds were disbursed in FY 2005 and repayment to the SIB is due upon receipt of insurance proceeds or other funds recovered. All repayments must be made within one to two years. Once repayment is made to the SIB, the funds will be returned to STTF.

Florida Development Finance Corporation
The Department has entered into an agreement with the State Board of Administration and the Florida Development Finance Corporation in which the Department has agreed to advance money from the investment earnings on the minimum cash balance of the STTF to a supplemental bond Guaranty Reserve Account. The amount of the transfer is limited to trust fund investment earnings on the minimum cash balance and shall not exceed the sum of $4 million in any fiscal year. This guaranty structure provides a market-based mechanism involving private sector resources and skill sets which has the impact of allocating financing resources to the most promising creditworthy Florida businesses. As a result, the possibility that STTF interest earnings would ever be called upon to retire bonds in the event of payment defaults is quite remote. For more information, contact Enterprise Florida at (407) 316-4600, or visit their web site at http://www.eflorida.com/

Transportation Infrastructure Finance and Innovation Act (TIFIA)
TIFIA is a credit program, which will provide secondary and subordinate capital for up to one-third of project costs, and provide assistance such as direct loans, lines of credit or guarantees of private loans. The program is designed for large-scale projects (over $100 million) of "National Significance." TIFIA funding is provided for up to $10.6 billion in federal credit assistance between 1999-2003 under TEA-21 legislation which is being reauthorized at this time. Florida submitted an application for TIFIA credit assistance in July 1999 for the Miami Intermodal Center (MIC) that requested Federal

loans of $433 million to advance the funding for the MIC. State Comprehensive Enhanced Transportation System (SCETS) fuel tax distributed to FDOT District 6 for Miami-Dade County is the primary pledge to repay the $269 million loan for the FDOT elements of the MIC. This loan was executed on June 9, 2000. Repayment for the $170 million loan for the Rental Car Facility executed April 1, 2005 will come from rental car user fees imposed on those using the facility.

Miami Intermodal Center (MIC)

The MIC is a model for infrastructure development and implementation with partners including FDOT, Miami-Dade County (transit, aviation, expressway authority and seaport), USDOT (transit, highways, aviation, and coast guard), and various private sector companies, such as rental car companies. Funding for this program will come from a variety of federal, state, local and private sources.

The MIC Program, which received approval for a $433 million TIFIA loan in September of 1999, consists of the following major program elements: land acquisition and environmental remediation, a consolidated rental car facility (RCF), roadway access improvements to the Miami International Airport (MIA) and the MIC complex, a people mover system connecting MIA with the RCF and the MIC Core (MIC-MIA Connector), and initial construction of the MIC Core – a transportation hub that will link Tri-Rail, Amtrak, Greyhound, Miami-Dade Transit's bus system and future connections to Miami-Dade Transit's rail system. When completed this $1.3 billion 5-year program will provide connectivity between various modes of public and private transportation in Miami-Dade County and greatly improve access to MIA.

The previously approved TIFIA loan of $433 million was divided into two parts. The initial loan of $269 million (the FDOT elements TIFIA loan) was the subject of a loan agreement dated June 9, 2000 between FDOT and US DOT. The proceeds of this loan will be used for land acquisition, roadway improvements, and the MIC Core. The second loan of up to $170 million (the RCF TIFIA loan), executed April 1, 2005 with US DOT, will be used for the consolidated rental facility.

With the program's conceptual and physical linkage to MIA, the events of September 11, 2001 caused the program as a whole to be reevaluated. The reevaluation focused on funding and timing since business activity at the airport was initially severely impacted by the events of September 11th. Unlike other major airports MIA has been slow to recover. The slow recovery has been due not only to the impacts of September 11th but also because of MIA's dependency on Latin America for much of its international traffic. The most significant changes to the MIC Program since September 11th relate to the following program elements:

1. The MIC/MIA Connector,
2. The consolidated rental car facility; and
3. Resultant program schedule adjustments for a delay of approximately 18 to 30 months

Construction of all components of the MIC Program will be phased over a 12 to 15 year span based on current projections of patronage demand, the need for increased capacity and the availability of required funding. The first major phase of construction is the $1.3 billion MIC 5-year work program noted above, which includes the following component projects:

- Major right-of-way land acquisition to facilitate the construction of all future MIC program elements. Estimated costs - $360 million.
- Consolidated Rental Car Hub - identified as a priority in order to help decongest MIA roadway traffic by removing all rental car courtesy vehicles from the terminal roadways. Early construction of this facility would also allow those participating rental car companies, currently located in areas to be acquired for other components of the MIC, to relocate directly into the new Hub facility. Estimated cost - $223 million. Note: this facility has been reevaluated in relationship to current market conditions in Miami associated with changes in the rental car market. The design scope has been scaled down, thus lowering the anticipated cost for the initial phase of the rental car facility.
- MIC/MIA Connector - an automated people mover (APM) that will connect the MIA terminals with the Rental Car Hub and the MIC Core facilities. Construction and operation of this APM is critical to the functionality of the MIC and the relocation of the rental car companies to the new Hub facility. Estimated cost - $312 million.
- MIC Core (Phase 1) - will connect various forms of transportation to the new Rental Car Hub and the terminal at MIA via the MIC-MIA Connector. Services provided at the MIC Core in this Phase 1 implementation will include access for private automobiles, buses, taxis and other commercial vehicles in addition to the existing Tri-Rail commuter rail system. Estimated cost - $53.5 million.
- Initial roadway improvements to facilitate access to the airport from the south and to local streets surrounding the Rental Car Hub and MIC Core to facilitate initial operations of the facility. Estimated cost - $116 million.
- Contingencies (includes a 10% overall program contingency), financing costs and program management. Estimated cost - $257.5 million.

Activities for the above 5-year work program projects include preliminary design, right of way acquisition, design and construction. Other advance activities, such as the acquisition of right-of-way, required for the remaining MIC Program components beyond that of the 5-year work program will also be initiated within the five-year time frame. These future components include the Interconnector and full build-out of the MIC Core.

Review of the Tentative Work Program
2005/06 – 2009/10

Miami Intermodal Center (MIC):

- $90.3 million is planned for Phase I of MIC in fiscal years 2005/06 – 2009/10 (net of loan repayments and reserves).

- $269 million of FDOT MIC projects are planned to be financed with federal (TIFIA) loans. Annual repayments are planned to start in FY 2006/07 totaling $91.6 million through FY 2009/10. The primary pledge to repay this loan is the State Comprehensive Enhanced Transportation System (SCETS) fuel tax distributed to District 6, for Miami-Dade County. Limited draws against the TIFIA loan will reduce these repayment requirements.

- A $190-million Miami International Airport-related MIC project (consolidated rental car facility) is planned to be financed by federal TIFIA funds and user fee revenues generated during the construction period. Principal repayments are currently scheduled to begin October 1, 2010.

- $86.7 million of MIC projects are planned to be financed by Miami-Dade Expressway tolls and dedicated revenues.

- A $25 million SIB loan is being used in FY 2003/04 and FY 2004/05. SIB repayment of $2.5 million annually is planned to start in FY 2005/06.

For more information visit the web site at:
http://www.dot.state.fl.us/financialplanning/finance/mic.htm

Florida's Turnpike Enterprise

History

Florida's Turnpike was created in 1953 as the Florida State Turnpike Authority and became part of the Department in 1969. The Turnpike was reorganized as an Office within the Department in 1988 and as a District in 1994. Throughout its history, Florida's Turnpike has consistently remained focused on delivering user-financed highways to meet the needs of its customers while protecting bondholders. Florida's Turnpike Enterprise (Enterprise), under legislation signed by Governor Jeb Bush in 2002, is responsible for the management of Florida's Turnpike System and the collection of tolls on eight other facilities owned or operated by the Florida Department of Transportation (Department).

Construction of Florida's Turnpike was authorized by the 1953 Legislature. The first section opened in 1957 with subsequent sections opening in 1964 and 1973.

Construction of the Turnpike was financed from bond sales in 1955, 1961, 1970, and 1973 (all of which have been retired). In 1989, bonds in the amount of $220 million were sold for general improvements to the system. In 1990, the Legislature recognized that the State's road system had not kept pace with the growth experienced in the past decade. To meet these needs, the Legislature authorized the Turnpike Expansion Program. The Turnpike opened five complete expansion projects under the expansion program started as a result of this legislation and enhanced by 1997 legislation: Seminole and Veterans expressways (bonds totaling $530.2 million), the Southern Connector Extension (no bonds were sold; system revenues and private funding were provided), the Polk Parkway (bonds totaling $411.4 million) and the Suncoast Parkway (bonds totaling $437.4 million).

In 1993, $522.0 million of bonds were sold to advance refund a substantial portion of the 1989, 1991, and 1992 bonds. The refunding resulted in an overall debt service savings of $67 million. In 1995, $347.7 million of bonds were sold to finance a significant portion of the Polk Parkway (completely open to traffic December 12, 1999).

In 1997, the Legislature further enhanced the Turnpike's expansion program with the passage of legislation that advanced the production of key elements of the Turnpike's expansion program. As a result, $199.7 million of bonds were sold to advance refund an additional portion of the 1989, 1991, and 1992 bonds. This resulted in an overall debt service savings of $25.5 million. Also, in 1998, issues totaling $434.1 million (1998A of $233.6 million and 1998B of $200.5 million) were sold to complete construction of the Polk Parkway and substantially construct the Suncoast Parkway, Project 1.

In 1999, bonds of $109.8 million were sold to construct an interchange with the Western Beltway, Part A, project; construct an interchange at SR 80; modify the interchange at Campbell Drive; and widen the Turnpike from Boca Raton to Delray Beach. In addition, these bonds were used to reimburse the Turnpike General Reserve Fund for previously expended Preliminary Engineering and Right-of-Way costs for the SR 80 interchange and previously expended Right-of-Way costs for the Suncoast Parkway, Project 1.

In February 2000, bonds of $112.4 million were sold to widen 13-miles of the HEFT from SR 836 to I-75 and to reimburse the General Reserve Fund for previously expended Preliminary Engineering costs of the Suncoast Parkway, Project 1.

In December 2000, bonds of $101.1 million were sold to replace the northbound span of the Thomas B. Manuel Bridge, construct a Florida Highway Patrol operations building at the Lake Worth-West Palm Beach Service Plaza, construct auxiliary lanes on the Mainline in conjunction with the Western Beltway interchange project, and acquire title to the Sawgrass Expressway through the refunding of the Sawgrass Expressway bonds

In March of 2003, $446.0 million of bonds were sold to refund a substantial portion of the 1993A bonds that were outstanding ($474.4 million) to achieve debt service savings. The estimated net present value of the debt service savings is $43.8 million.

In July of 2003, $303.9 million of bonds were sold as part of an advance refunding to refund a substantial portion of the 1995A bonds that were outstanding ($304.8 million) to achieve debt service savings. The estimated net present value of the debt service savings is $24.7 million.

In November 2003, bonds of $200.9 million were sold to provide partial funding for the Western Beltway Part C expansion project; construction of safety improvements on the Homestead Extension of Florida's Turnpike (HEFT); replacement of the Turnpike bridge over Miami Gardens Drive in northern Miami Dade County; construction of a new interchange at State Road 710 in Palm Beach County; the widening of the mainline in Palm Beach County; construction of noise walls on the mainline in Palm Beach County; construction of additional lanes on the Sawgrass Expressway; construction of a new interchange on the mainline at County Road 470 in Lake County; construction of safety improvements to the State Road 60 and Veterans Expressway interchange; the purchase and installation of a portion of a system-wide fiber optic network and dynamic message boards between Boca Raton and Fort Pierce; and the design and construction of the SunPass Challenge projects.

In December of 2004, bonds of $279.2 million were sold to provide partial funding for the Western Beltway Part C expansion project; the Miami Gardens Bridge project; widening of the Mainline in Broward County, Palm Beach County, and Orange County as well as the Sawgrass Expressway in Broward County; construction of the SR 710 Interchange in Palm Beach County and the CR 470 Interchange in Lake County as well as modifications to the SR 408 Interchange in Orange County; the expansion of the Leesburg Mainline toll plaza; the construction of SunPass only lanes on the Mainline; and other safety and system improvements on the Turnpike System.

The Turnpike Enterprise is organized around four major functional areas, each of which report to the Executive Director: Chief Financial Officer (CFO), Chief Operating Officer (COO), General Counsel, and Director of Communications & Marketing. Reporting to the COO are four primary program areas: Highway Operations, Planning & Production, Business Development & Concession Management, and Toll Operations. Most offices are located in the Turnpike Enterprise Headquarters at the Turkey Lake Service Plaza, Mile Post 263, on the Turnpike in Orange County. However, the Highway Operations and Communications & Marketing Offices are located in the Turnpike Operations Center at the Pompano Service Plaza, Mile Post 65, on the Turnpike in Broward County. Toll Operations, previously headquartered in Tallahassee, completed the transition to the Enterprise Headquarters at Turkey Lake as of December 31, 2003.

Turnpike System Description

The Turnpike System consists of 449 miles of limited-access toll facilities. Financed primarily by toll and concession revenues, the Turnpike System has provided the State's residents and visitors with a safe and efficient means of travel since 1957. Today, its primary customers are the urban commuters in the Miami-Dade, Broward and Palm Beach Counties and the Orlando and Northern Tampa urban areas. There are eight service plazas located along the Mainline. These plazas contain restaurants, concessions, and service stations for the benefit of customers. In addition, numerous other Turnpike facilities that support daily operations are located primarily on the Turnpike Mainline. These facilities include the Turnpike Headquarters, Pompano Operations Center and toll operations facilities comprised of the Boca Data Center, and six Regional Toll Offices. Traffic Management Centers are also housed in the Turnpike Headquarters and the Pompano Operations Center.
A brief description of each component of the Florida Turnpike System follows:

Mainline

The 343-mile Mainline consists of six contiguous sub-components: the 43-mile Southern Coin System; the 155-mile Ticket System; the 67-mile Northern Coin System; the 8-mile Bee Line West Expressway; the 47-mile Homestead Extension of Florida's Turnpike (HEFT); and the 23-mile Sawgrass Expressway.

Construction of the 110-mile section of limited access highway between Miami and Ft. Pierce was officially started on July 4, 1955 and opened to traffic in January 1957. The section from Ft. Pierce to Orlando South opened in 1963 and the Orlando South to Wildwood section opened in 1964. The Bee Line West Expressway, completed in 1973, extends from Interstate 4 near Walt Disney World to an interchange at the Northern Coin System and continuing to the Bee Line Expressway, a project of the Orlando-Orange County Expressway Authority (OOCEA). The HEFT, which opened in 1974, extends from U.S. 1 in Florida City to an intersection with the Southern Coin System just east of Miramar. The Sawgrass Expressway, constructed by the Broward County Expressway Authority, was acquired by the Department on December 18, 1990, as a result of legislation passed in the 1990 Legislative Session. It is approximately 23 miles in length and was opened to traffic in 1986. It provides a bypass of the urban Ft. Lauderdale and Miami areas traveling south from the Southern Coin System in Northern Broward County to the intersection of I-75 and I-595, with an ultimate connection to the HEFT.

The Sawgrass Expressway was financed with proceeds of bonds issued by the Division of Bond Finance in 1984 and 1985. Prior to November 2000, the Sawgrass bonds were payable from gross revenues of the Sawgrass Expressway, pledged Broward County gasoline tax funds and were additionally secured by the full faith and credit of the State of Florida. In November 2000, the Turnpike sold bonds for system improvements and to advance refund the Series 1986-A Sawgrass Expressway Bonds, principal outstanding of $60.6 million. In addition, with the assistance of a short-term loan from the State Transportation Trust Fund in the amount of $125.4 million, the Series 1984 Sawgrass Expressway Bonds were defeased. As a result, title to the Sawgrass Expressway vested in the Turnpike and has now become a part of the Turnpike System.

Expansion Projects Completed

Seminole Expressway
The Seminole Expressway is an 18-mile, four-lane limited-access toll facility connecting with the Central Florida GreenWay, a toll facility operated by the Orlando-Orange County Expressway Authority (OOCEA), at State Road 426 in east Orlando to an interchange with I-4, northwest of Sanford. The original 12-mile section (SR 426 to US 17/92) opened to traffic in June 1994 with the final 6-mile segment, US 17/92 to I-4, opened to traffic in September 2002.

Veterans Expressway
The Veterans Expressway is a 15-mile, four-lane, limited access toll facility extending north from the Courtney Campbell Causeway (SR60) near Tampa International Airport to Dale Mabry Highway (SR 597) just north of Van Dyke Road. Construction of this project began in September 1992. The Veterans Expressway opened to traffic October 2, 1994.

Southern Connector Extension
The Southern Connector Extension is a 6-mile, four-lane, limited access toll facility that connects the GreeneWay around Orlando with Interstate 4. This project, which opened to traffic June 23, 1996, was made feasible by virtue of a public/private partnership. Osceola and Orange Counties, the Transportation Development Group Trust, and the Turnpike District each participated in the cost of the project. The Turnpike District contributed $76.7 million toward this $153.3 million project. All toll revenues belong to and benefit Florida's Turnpike System.

Polk Parkway
The Polk Parkway is a 25-mile limited access toll facility that forms a partial loop around the west, south, and east of the City of Lakeland, connecting I-4 at Clark Road on the west and Mt. Olive Road on the east. This project, which began in 1995, was completed in stages: from I-4 on the west to South Florida Avenue (8 miles) on August 9, 1998; from South Florida Avenue to U.S. 92 (10 miles) on August 2, 1999; and from U.S. 92 to I-4 on the east (7 miles) on December 12, 1999.

Suncoast Parkway

The Suncoast Parkway is a 42-mile, four-lane, limited-access toll facility that extends from the Veterans Expressway near Van Dyke Road in Hillsborough County, northward through Pasco County, terminating at U.S. 98 in Hernando County. This facility opened in stages: from the Veterans Expressway to S.R. 50 in February 2001 and from S.R. 50 to U.S. 98 in August 2001.

Expansion Projects in Progress

Construction has begun on the Turnpike's latest expansion project, the Western Beltway, Part C. This facility will provide a western bypass around Orlando, thereby increasing mobility by linking the Turnpike Mainline at SR 50 and the Western Beltway Part A, with I-4 south of Walt Disney World. Construction of the Turnpike portion of the project is expected to be completed in the fall of 2006. The Turnpike is partnering with the Orlando-Orange County Expressway Authority (OOCEA) in the construction of this project. The OOCEA will build the first 11 miles from the Western Beltway Part A/SR 50/Turnpike Mainline connection south to Seidel Road. The Turnpike will complete the project by building the 11-mile segment from Seidel Road to I-4 south of Walt Disney World. In order to provide necessary system-to system connectivity, linking SR 429 (Western Beltway Parts A & C) with the Turnpike Mainline and SR 408 (East/West Expressway) the Turnpike funded construction of the $55 million interchange that completely opened to traffic on December 20, 2002.

Florida's Turnpike System

In the last two years Enterprise staff have been working to meet the SunPass Challenge (original goal: December 2004) to achieve 50 percent participation in the SunPass program. SunPass Participation on the Turnpike System in FY 2004 was 44.7 percent, an increase of over 24 percent from the 36 percent participation in FY 2003. The 50 percent goal was actually achieved in April of 2004, 8 months ahead of schedule. The Turnpike had implemented a Toll Rate Increase (TRI) on cash customers only in March of 2004. Coupled with an aggressive marketing campaign many patrons switched to SunPass.

During the last year, substantial work occurred on the Western Beltway Part C as well as the SunPass Challenge program. Other production highlights during 2004 were as follows: completed the $6 million Commercial Boulevard interchange improvement in Broward County, awarded the $10 million contract for the resurfacing of 37 miles of the Mainline in Osceola County, completed the $2 million resurfacing of 5 miles of the Mainline in Palm Beach County, began construction of the $2 million resurfacing/median-safety improvements project on the HEFT between I-75 and the Mainline in Miami-Dade and Broward Counties, completed the $5 million noise wall construction project in Palm Beach County, began the $4 million bridge replacement at Miami Gardens Drive on the Mainline in Miami-Dade County, completed construction on the $2 million toll plaza improvements at the Deerfield Plaza on the Sawgrass Expressway in Broward County, completed the $2 million resurfacing of 3 miles of the Mainline in Indian River County, completed construction of the $21 million widening of 5 miles of the Sawgrass Expressway in Broward County, and completed the $5 million installation of fiber optics on 47 miles of the HEFT in Miami-Dade County.

Also during the past year, the Turnpike conducted its annual customer survey. Over 84 percent of customers felt they received value in the form of safety, service and convenience for the toll paid and 93 percent of customers said they would recommend using the Turnpike System to family and friends. These indicators are used by Management to listen to its customers and implement suggestions regarding safety, convenience and overall customer satisfaction.

Florida's Turnpike is at the forefront of helping meet the transportation needs of the residents, visitors and businesses of Florida. The Enterprise will continue to take an entrepreneurial approach to expanding and improving the Turnpike System, introduce best practices from the private sector, and continue to operate the Turnpike System in the public interest. For more information visit the turnpike website at http://www.floridasturnpike.com

System Demographics

Florida maintained its ranking as the fourth largest state in the nation with a population estimated at over 17.4 million residents. Current estimates put Florida's population at nearly 19 million in 2010. Additionally, unemployment dropped from the previous year to an estimated 4.6 percent of the State's workforce. This level is below the national average of 5.6 percent and has stayed below the national average for the past six years. During FY 2004 approximately 1 in 8 of the new non-farm jobs created in the United States were generated in Florida.

Despite concerns over the continuing war on terrorism as well as the conflict in Iraq during FY 2004, the tourism industry in Florida is still flourishing. Per the Governor's report on tourism, 75.6 million tourists visited the state during the year, a rise of nearly 2.5 percent over the prior year. Travel to and from tourist destinations in Florida is facilitated by the Turnpike Mainline which serves the Miami to Orlando corridor while the Seminole Expressway and the Veterans Expressway serve the Orlando and Tampa areas, respectively. In addition, management is considering partnering with service providers that cater to tourists to generate additional non-toll revenues.

Turnpike facilities play a key role in domestic and international trade by connecting to Interstates 4, 75, 95, 275, and 595, as well as being conveniently situated to serve three deep-water ports, four international airports, and ten general aviation airports. By monitoring the number of transactions generated by vehicles with more than two axles, the Turnpike can assess the overall level of business activity generated by commercial vehicles on Turnpike facilities. During FY 2004, the number of such transactions rose to 30.7 million, an increase of 19 percent over the prior year.

A recent Turnpike system-wide patron survey indicated a varied customer base with 38% of travelers using Turnpike facilities for commuting, 19% for recreation/tourism, 11% for business/delivery, 17% for personal business, and 15% for school, shopping, and other purposes. Having such a diverse customer base provides the Turnpike with stable revenues despite fluctuations in various segments of the economy from year to year.

Turnpike Financial Management

The Turnpike System is operated by the Turnpike Enterprise as an enterprise fund within the Department of Transportation. The Turnpike Enterprise has developed a strong internal finance staff comprised of individuals with extensive backgrounds in auditing, accounting, and bond finance. In addition, the Central Office of the Department provides policy direction and a variety of services to the Turnpike Enterprise. Chief among these financial support services are those provided by the Office of Financial Development and Budget and the Office of Comptroller.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Florida's Turnpike System for its Comprehensive Annual Financial Report (CAFR) for twelve consecutive years from 1992-2003. The 2004 CAFR is currently being reviewed by the GFOA.

As required by the Turnpike's bond resolution, the Turnpike has augmented its capabilities with the services provided by two internationally recognized consulting firms: URS Corporation – Traffic and Revenue Consultant and PBS&J – General Consultant. In addition, the Turnpike utilizes the services of Construction Engineering Management Consultant - Parsons Brinckerhoff Construction Services, Inc., a Maintenance Engineering Management Consultant – Sverdrup Civil Inc./A Jacobs Engineering Company, and an Intelligent Transportation System (ITS) Consultant – TransCore, as well as a Marketing and Business Development Consultant – KPMG.

Revenues – Current and Projected

The Turnpike System earned $521.2 million in toll revenues during FY 2004 representing an increase of nearly 16 percent over FY 2003 toll revenues of $450.5 million. Continued strong growth in traffic on the Mainline, as well as the expansion projects contributed to the significant increase over the prior year. Additional revenues were generated by the toll rate increase which took effect in March of 2004. Approximately 10 percent of the increase came from normal growth while roughly 5 percent was attributable to the impacts of the toll rate increase.

Similar to FY 2003, the Mainline generated 75 percent of toll revenues for the system in FY 2004 while expansion projects accounted for 25 percent. Projections indicate expansion revenues will grow slightly as existing expansion projects "ramp-up" and new projects are added. Toll revenues from expansion projects are forecasted to increase from an estimated 25 percent in FY 2005 to an estimated 27 percent by FY 2015. Previous forecasts reflected a higher percentage of toll revenues coming from the expansion projects, however, toll rate increases on individual expansion projects have been deferred in order to accommodate Turnpike system-wide toll rate increases such as the one in 2004. Toll rate increases had been scheduled on all expansion projects in their 10th and 15th years after opening. Now, these increases are expected to be part of the system-wide toll increases that the Turnpike plans to implement every ten years.

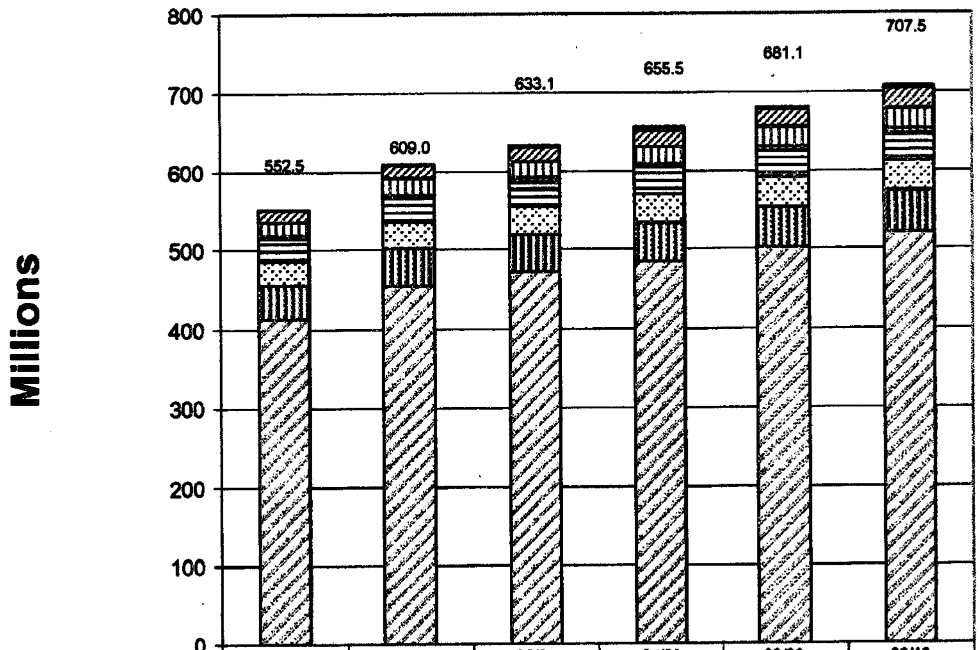
The following table reflects the growth in toll revenues by system component:

TURNPIKE SYSTEM TOLL REVENUE
COMPARISON OF FY 2004 TO 2003 REVENUE
($ in Thousands)

COMPONENT	FY 2004	FY 2003	$ CHANGE	% CHANGE
Mainline	$390,459	$336,444	$54,015	16.1
Sawgrass Expressway	42,609	38,832	3,777	9.7
Seminole Expressway	27,403	23,281	4,122	17.7
Veterans Expressway	26,064	22,645	3,419	15.1
Southern Connector Extension	3,596	3,035	561	18.5
Polk Parkway	16,209	13,662	2,547	18.6
Suncoast Parkway	14,883	12,562	2,321	18.5
Totals	$521,223	$450,461	$70,762	15.7

Florida's Turnpike System

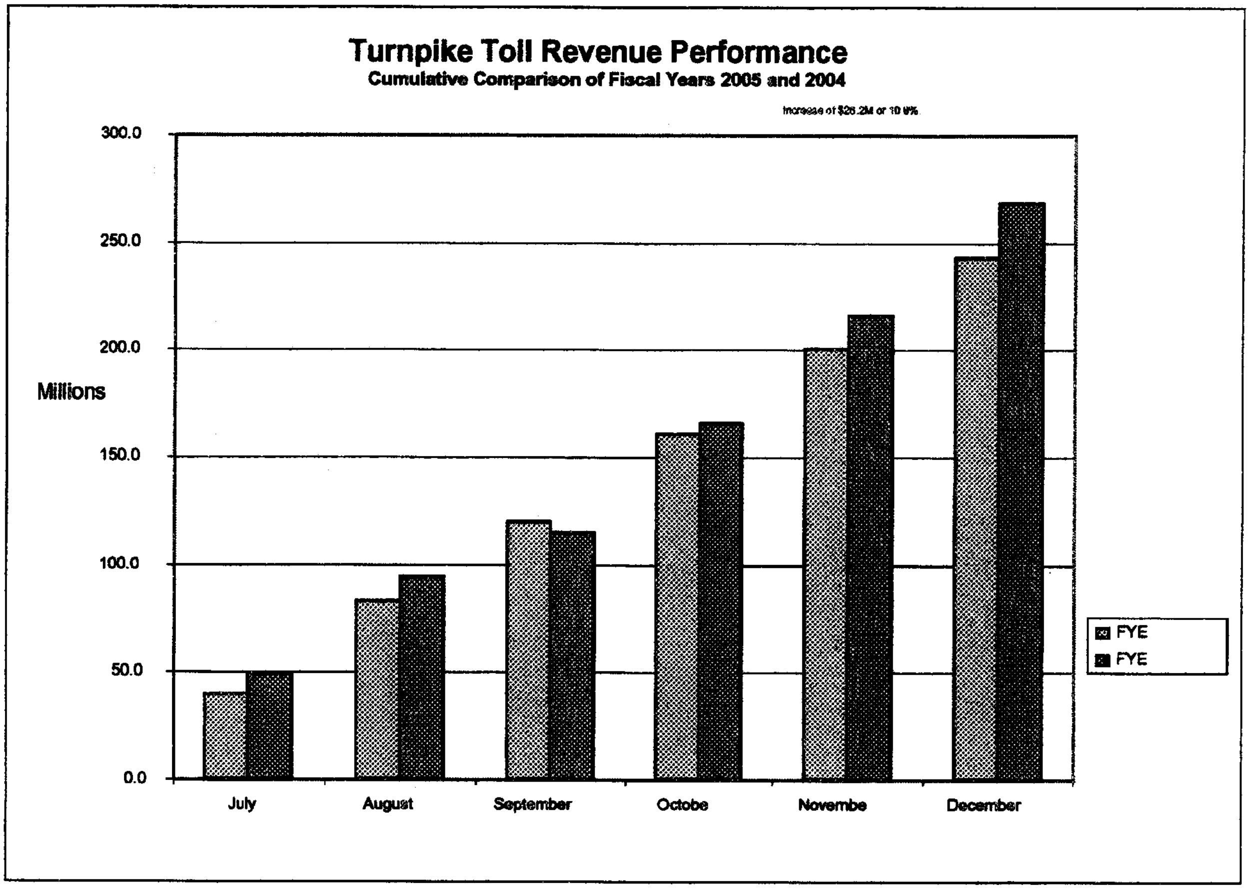
Projected Toll Revenues - FY's 2005 - 2010



	04/05	05/06	06/07	07/08	08/09	09/10
W. Beltw ay Part C	0.0	0.0	1.0	2.4	2.9	3.3
Suncoast	15.8	18.2	19.8	21.5	23.1	24.7
Polk	16.9	19.4	20.9	22.3	23.8	25.2
SCE	4.3	4.6	4.7	4.8	5.0	5.2
Veterans	28.1	30.8	32.1	33.3	34.6	36.0
Seminole	29.7	33.0	34.7	36.4	38.0	39.6
Saw grass	44.0	47.3	48.3	49.4	50.8	52.2
Mainline	413.7	455.7	471.7	485.4	502.9	521.3

FY 2005 toll revenues are expected to increase to over $552 million, an increase of approximately six percent from FY 2004. A substantial portion of the projected increase is attributable to the toll rate increase which went into effect in March of 2004. The FY 2005 toll revenue estimate includes a full twelve months of tolls at the new rates, whereas the actual revenues for FY 2004 only included four months under the new toll structure. Partially mitigating the effects of the toll rate increase is a reduction in estimated revenues for the suspension of tolls during hurricanes Charley, Frances, Ivan, and Jeanne during the first half of FY 2005. In order to facilitate an expedient evacuation of key regions within the state in anticipation of these storms, the Turnpike lifted tolls on many facilities. The toll forecast for FY 2005 reflected above has been adjusted accordingly.

Toll revenues for the first six months of fiscal year 2005 have grown by over 11% over the same period in fiscal year 2004. This is evidenced by the following graph:



Florida's Turnpike System – Operating Revenues & Expenses

GROSS TOLL AND CONCESSION REVENUES (in thousands)

FISCAL YEAR ENDING DATE	MAINLINE	EXPANSION PROJECTS: SEMINOLE EXPRESSWAY (NOTES 1 & 2)	VETERANS EXPRESSWAY (NOTE 3)	SO. CONN EXTENSION (NOTE 4)	POLK PARKWAY (NOTE 5)	SAWGRASS EXPRESSWAY (NOTE 6)	SUNCOAST PARKWAY (NOTE 7)	WESTERN BELTWAY C (NOTE 8)	CONCESSION REVENUE	GROSS OPERATING REVENUE (NOTE 9)
1992	$138,885	$544							$7,147	$146,576
1993	152,299	647							6,392	159,338
1994	177,309	1,623							5,824	184,756
1995	183,597	6,505	$5,960						6,726	202,788
1996	205,913	8,542	9,945	$25					6,726	231,151
1997	220,818	10,721	11,469	1,455					6,849	251,312
1998	239,188	12,243	12,690	1,751					7,080	272,952
1999	252,613	14,272	13,891	2,051	$849				7,534	291,210
2000	270,073	16,032	14,891	2,413	7,016				7,597	318,022
2001	289,718	16,774	17,361	2,581	10,227	$34,531	$2,112		7,862	381,166
2002	310,736	18,344	20,491	2,700	12,009	36,669	9,988		8,621	419,558
2003	336,444	23,281	22,645	3,035	13,662	38,832	12,562		8,564	459,025
2004	390,459	27,403	26,064	3,596	16,209	42,609	14,883		8,513	529,736
2005e	413,722	29,654	28,074	4,281	16,945	43,993	15,816		6,000	558,485
2006e	455,678	33,004	30,827	4,603	19,356	47,339	18,218		6,204	615,229
2007e	471,670	34,683	32,090	4,703	20,854	48,283	19,845	1,004	6,414	639,546
2008e	485,402	36,351	33,297	4,814	22,337	49,375	21,486	2,416	6,631	662,109
2009e	502,916	37,988	34,638	4,977	23,784	50,816	23,121	2,871	6,796	687,907
2010e	521,270	39,638	36,008	5,152	25,175	52,214	24,728	3,315	6,966	714,466

Note 1. 1992 to 1993 revenues are due to the acquisition of existing one-half mile roadway.
Note 2. Sections of Seminole I were opened on January 11, 1994, and April 3, 1994, and final segment opened on May 7, 1994. Five miles of Seminole II opened in April of 2002 with the entire project open by September of 2002.
Note 3. Opened to traffic on October 2, 1994.
Note 4. Southern Connector Extension opened to traffic June 23, 1996.
Note 5. Polk Parkway - Section 1-3B opened August 9, 1998; Sections 4-6A opened August 2, 1999; Sections 6B-7 opened December 12, 1999.
Note 6. Sawgrass Expressway acquired December 18, 1990; bonds defeased/refunded December 13, 2000 and title passed to Florida's Turnpike.
Note 7. Suncoast Parkway constructed from Veterans Expressway to SR 50 opened February, 2001; to US 98 opened August 2001.
Note 8. Scheduled to be open to traffic by December 2006.
Note 9. FY's 1992-2000 Gross operating revenue and operating and maintenance expense does not include the Sawgrass Expressway. FY's 2001 and forward include the Sawgrass Expressway as a result of the defeasance/refunding of the Sawgrass Expressway Bonds. FY 2005 operating and maintenance expense reflects estimated increase in costs related to Hurricanes Charley, Frances, Ivan, and Jeanne.
Note 10. Net operating revenue does not include investment income or miscellaneous income.

e = estimated

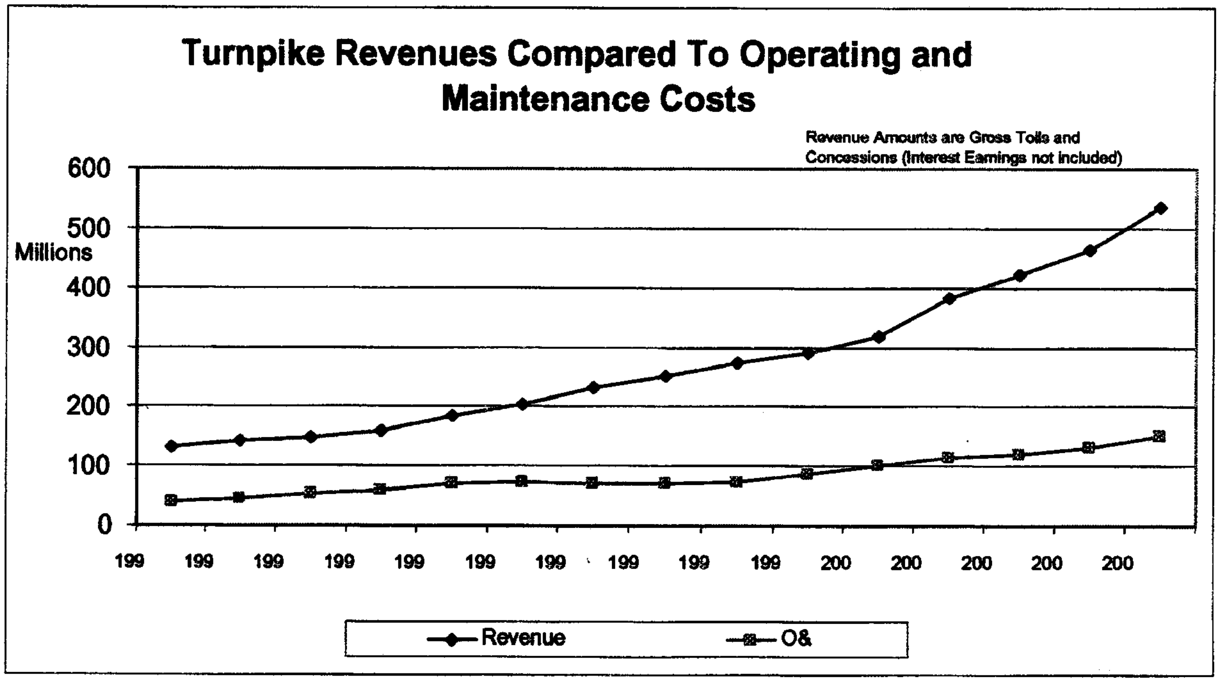
FISCAL YEAR ENDING DATE	GROSS OPERATING REVENUE (NOTE 9)	OPER. & MAINT. EXPENSES			NET OPERATING REVENUE (NOTE 10)
		MAINLINE	EXPANSION PROJECTS	TOTAL O&M (NOTE 9)	
1992	$146,576	$52,199		$52,199	$94,377
1993	159,338	58,296		58,296	101,042
1994	184,756	69,840	$614	70,454	114,302
1995	202,788	69,411	4,308	73,719	129,069
1996	231,151	68,987	3,566	72,553	158,598
1997	251,312	66,075	4,397	70,472	180,840
1998	272,952	65,953	7,095	73,048	199,904
1999	291,210	79,614	7,472	87,086	204,124
2000	318,022	83,162	21,650	104,812	213,210
2001	381,166	94,767	20,599	115,366	265,800
2002	419,558	98,413	22,608	121,021	298,537
2003	459,025	108,918	22,066	130,984	328,041
2004	529,736	126,724	23,608	150,332	379,404
2005e	558,485	129,612	28,511	158,123	400,362
2006e	615,229	122,007	29,739	151,746	463,483
2007e	639,546	131,342	31,776	163,118	476,428
2008e	662,109	136,373	33,275	169,648	492,461
2009e	687,907	141,572	34,426	175,998	511,909
2010e	714,466	147,943	36,016	183,959	530,507

Turnpike O&M and Gross Revenues

Operations & Maintenance (O&M), primarily toll collection and routine maintenance costs, increased from $130,984,425 in FY 2003 to $150,331,867 in FY 2004; an increase of 14.8 percent over the prior year. There are several factors that contributed to this increase. The indirect costs allocated by the Department rose by 53% from $12.9 million in FY 2003 to $19.7 million in FY 2004. Also, the net cost of transponders increased from $1.5 million in FY 2003 to $6.8 million in FY 2004. A significant quantity of transponders was received prior to year-end to ensure adequate supply as the toll rate increase was implemented. As a result, over 400,000 transponders were in inventory at June 30, 2004. The revenue from the sale of these transponders will be recognized in future months helping to offset the cost of any future purchases. Due to the increase in SunPass participation, the SunPass customer base increased from 900,000 accounts in FY 2003 to over 1.4 million in FY 2004. The cost of staffing the SunPass Service Center increased along with the credit card fees associated with the automatic replenishment of customer accounts. Other costs such as toll equipment repair, Florida Highway Patrol, and privatized toll collection contracts increased in relation to the increase in lanes and traffic.

The increase was attributable to additional indirect costs allocated by the Department to the Turnpike. O&M is expected to grow by approximately 5% during the next year. The increase is mostly attributable to additional maintenance costs due to the effects of Hurricanes Charley, Frances, Ivan, and Jeanne.

The outlook for the Turnpike System is one of continued growth in revenue with operating revenues estimated to grow by 5.4 percent over operating revenues received in FY 2004. O&M costs are projected to be approximately 28 percent of operating revenues for FY 2005.

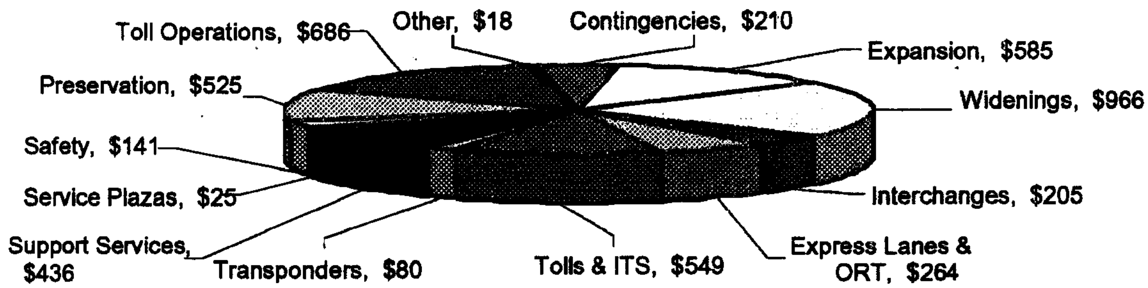


Turnpike Work Program

The Turnpike 5-year work program (fiscal years 2006-2010), adopted July 1, 2005, and is approximately $4.7 billion (including operations and maintenance). This represents a commitment to safety, preservation, maintenance, expansion and improvement of the Turnpike System. The Work Program is primarily funded by a combination of toll revenues and bond proceeds. Opportunities to leverage federal funds, state funds, and State Infrastructure Bank funds round out the financing of this program. The Turnpike System will finance four new interchanges with a fifth interchange being funded by a private developer; improve three existing interchanges, fund eleven widening projects to provide 150 lane-miles of additional capacity on the FIHS, finish constructing the Western Beltway, Part C, expansion project; resurface approximately 406 lane-miles of the system; commit over half a billion dollars to various Toll collection, fiber optic, and Intelligent Transporation System (ITS) projects; construct six Express Lane toll plaza projects; convert the Sawgrass Expressway into an Open-Road-Tolling (ORT) facility; conduct design and right-of-way on the Suncoast II expansion project; commit $80 million to the I-4 Connector project in Tampa; as well as invest $141 million in Safety projects, and $525 million in Preservation projects.

This Work Program is supported by Turnpike Revenue Bonds of approximately $2.0 billion which are planned to be sold during FYs 2006 through 2010 (with additional bond funding after FY 2011 of $0.1 billion to finish funding these projects). The four new interchanges and the three interchange improvements, the eleven widenings, the I-4 Connector project in Tampa, and other planned improvements will be constructed with these bond funds.

Turnpike Tentative 5-Year Work Program (FY 2006 - FY 2010) $4.69 Billion



Department Owned and Operated Toll Facilities

In addition to Florida's Turnpike, the Department owns and operates the following toll facilities across the State:

Sunshine Skyway Bridge

The Skyway is part of Interstate 275, passes over Tampa Bay and links the St. Petersburg and Bradenton areas. The Skyway has revenue bonds outstanding of $11.8 million as of June 30, 2004. After the payment of the costs of operation and maintenance, net toll revenues of $12.1 million in fiscal year 2003-2004 covered debt service of $2.6 million by 4.7 times. Excess revenues annually reduce amounts owed to the STTF for prior year advances and for major rehabilitation and repairs to the facility. These advances total $14.9 million as of June 30, 2004. In August 2001, $17.6 million Sunshine Skyway Revenue Refunding Bonds were issued to refund the 1991 issue of $19.1 million outstanding. The 2001 bonds will be retired in FY 2009. Pursuant to Section 338.165, Florida Statutes, the Department is planning to issue bonds to fund transportation projects in Pinellas, Manatee and Hillsborough Counties.

Everglades Parkway (Alligator Alley)
The Alley is part of Interstate 75 and runs from Naples to west of Ft. Lauderdale. The Legislature has found that the construction of Alligator Alley has contributed to the alteration of water flows and affected ecological patterns of the Everglades. To provide resources for improvements to Alligator Alley, excess toll revenues are transferred annually to the Everglades Fund of the South Florida Water Management District in accordance with Section 338.26, Florida Statutes. The Department issued $55.2 million revenue bonds in July 1997. At closing, the Department transferred $17 million of accumulated excess revenue to the Everglades Fund. It is anticipated that approximately $2 million annual excess revenue will be available for transfer to the Everglades Fund of the South Florida Water Management District (SFWMD)after debt service , operations and maintenance costs, and renewal and replacement costs are funded. Current projections indicate that in beginning in FY 2008, there will no longer be excess revenue available to transfer to the SFWMD.

In accordance with the bond covenants, net toll revenues fund renewal and replacement costs. Due to the upcoming resurfacing needs on the Alley, the Department has been funding a Renewal and Replacement fund. The balance of the Renewal and Replacement fund at June 30, 2004 is $11.4 million. Maximum annual debt service on the 1997 bond issue is approximately $3.7 million and after the payment of the costs of operation and maintenance, net toll revenues of $8.3 million in fiscal year 2003-2004 covered debt service 2.2 times. Bonds outstanding as of June 30, 2004 totaled $48.8 million. Major projects planned on the Alley include resurfacing of the entire facility in phases beginning in FY 2006 through FY 2008. Although no future bond issues are contemplated at this time, Section 338.165, Florida Statutes, provides legislative authority to issue bonds to fund transportation projects located within the county or counties in which the project is located.

Bee Line East Expressway
The Bee Line East Expressway runs east of Orlando connecting the eastern edge of the Central Florida Greeneway at State Road 520 with Interstate 95. There are no bonds outstanding on this facility. The 25-cent toll is collected as a surcharge at the Bee Line Main Plaza of the Orlando-Orange County Expressway Authority (OOCEA) and at the SR 520 ramps to/from the East and is transferred by the Authority to the STTF weekly. The Department transfers these funds into an escrow account. The removal of the toll plaza at the Bee Line East, as a result of toll collection functions being performed by OOCEA at the Bee Line Main Plaza, has resulted in significant annual savings. Beginning in February 1999, annual toll revenues exceeding $4 million are being accumulated for use in funding the widening of SR 520 and related improvements. The balance of the SR 520 Escrow Account was $9.3 million as of June 30, 2004. The operations and maintenance costs are accumulated as outstanding debt due to the STTF and total $13.1 million as of June 30, 2004. Pursuant to Section 338.165, Florida

Statutes, the Department plans on issuing bonds to complete the SR 520 widening when the escrow account is depleted.

Pinellas Bayway

The Bayway consists of a series of causeways and bridges providing a connection between St. Petersburg Beach, Fort DeSoto Park and I-275 in south St. Petersburg. There are no bonds outstanding backed by toll revenues of at this facility. Currently toll revenues provide for the annual costs of operation. Costs of maintenance are deferred as a long-term debt owed to the STTF, as provided by Chapter 95-382, Laws of Florida, and totaled $29.2 million as of June 30, 2004. Revenues after the cost of operations are being accumulated along with interest earnings, for projects in Pinellas County in accordance with Chapter 95-382, Laws of Florida. These accumulated funds will be used for construction of Blind Pass Road, State Road 699 improvements and Phase II of the Pinellas Bayway improvements. The balance of the escrow account was $31.5 million as of June 30, 2004. Although no future bond issues are contemplated at this time, Section 338.165, Florida Statutes, provides legislative authority to issue bonds to fund transportation projects located within the county or counties in which the project is located.

Navarre Bridge

The Navarre Bridge connects US Highway 98 east of Pensacola with Santa Rosa Island. There are no bonds outstanding on the bridge. Through June 30, 2004, toll revenue was deposited into the STTF and applied to operations and maintenance costs. The balance due the STTF at June 30, 2004 was $3.1 million. Beginning July 1, 2004, tolls are no longer collected on this bridge. All debt owed to the STTF will be forgiven. The bridge ownership is planned for transfer to Santa Rosa County.

Department Operated Toll Facilities

In addition to Florida's Turnpike and the five Department owned and operated toll facilities mentioned above, the Department operates five toll facilities under the terms of a Lease-Purchase Agreement or Operating Agreement with expressway and bridge authorities. These include the following:

Lee Roy Selmon Crosstown Expressway

The Crosstown Expressway is a 14-mile toll road that extends from Gandy Boulevard in Southwest Tampa, north and east through downtown Tampa to an interchange with Interstate 75 just west of the Brandon area. A system of reversible express lanes located generally within the median of the existing Expressway System and extending from the Tampa Central Business District east to Interstate 75 and connecting to the Brandon Area feeder roads, is currently under construction and is scheduled to open in 2006. On March 7, 2004, a $0.25 toll rate increase for cash customers was implemented at all ramps and toll plazas on the facility except for the West Plaza. The toll rate was increased on the West Plaza on June 1, 2004 after toll plaza reconstruction efforts were completed. A major project planned on the facility includes bridge deck replacement in FY 2008 through FY 2010.

The Tampa-Hillsborough County Expressway Authority (THCEA) issued $143.5 million, Series 1997 revenue bonds in November 1997. A portion of the bond proceeds together with transferred proceeds provided for the refunding of the outstanding Series 1971 and 1978 Bonds. The remaining portion was used to fund project costs. On February 21, 2002, the Authority issued $88.1 million, Series 2002 revenue bonds to fund a portion of the costs of the reversible express lanes project. Bonds outstanding as of June 30, 2004 totaled $198.6 million. In FY 2005, the THCEA is planning to issue revenue bonds with proceeds used to reimburse the Department for $110 million of STTF loans and to finance the construction of the reversible lanes project.

Pursuant to the terms of the 1997 Lease-Purchase Agreement and supplemented in 2002, the Department pledges to pay the costs of operation and maintenance and be reimbursed, if revenues are sufficient, after payment of current year debt service, in effect, providing for a gross revenue pledge. Beginning in FY 2001, the Authority reimburses the STTF for the annual budgeted operating and maintenance costs on a current basis from the revenues after debt service requirements are met. The accumulated costs of operation and maintenance and other long term debt owed to the STTF at June 30, 2004 are $117.1 million. In addition, as of June 30, 2004, the following THCEA long-term debt is outstanding and due to the Department: $21 million for TFRTF loans, $101.7 million for STTF loans and $51.8 million for State Infrastructure Bank (SIB) loans. This outstanding debt (except for SIB loans) is paid from excess revenue flowing to the General Reserve Fund. The flow of funds in the Series 2002 Bonds requires that SIB loans (Junior Lien Obligations) be paid subsequent to debt service payments. The THCEA provides planning, management and oversight responsibilities for the facility. For more information, contact the Tampa-Hillsborough Expressway Authority at (813) 272-6740, or visit their web site at http://www.tampa-xway.com/

Miami-Dade Expressway System

The Miami-Dade Expressway System is a group of four toll roads and one feeder road in the urban area of Miami-Dade County. The facilities include the Gratigny Parkway, Airport Expressway, Dolphin Expressway, Don Shula Expressway and the Snapper Creek Expressway (non-toll road). The Miami-Dade Expressway Authority, in December 1996, issued $80 million variable rate taxable revenue bonds to refund the outstanding Series 1993 Refunding Bonds. Upon the delivery of bonds, the Department formally transferred the planning, management and operational control of the system to the Authority. In 2005, MDX issued an additional $241.4 million of bonds, Series 2005 Revenue and Refunding Revenue Bonds. MDX transfers 1/12th of the approved annual budget to STTF monthly to offset current year costs. The long-term debt owed to the STTF is $5.4 million at June 30, 2004. This debt is payable from excess revenue that flows to the General Fund at $2 million per year until the debt is retired. In addition, as of June 30, 2004, MDX owes the Department $37.5 million for SIB loans used to fund SR 836 improvements and $2.5 million to the TFRTF. For more information, contact the Miami-Dade Expressway Authority at (305) 637-3277, or visit their web site at http://www.mdx-way.com/.

Mid-Bay Bridge

The Mid-Bay Bridge crosses Choctawhatchee Bay from SR 20 east of Niceville, south to US 98 near Destin. The FDOT collects the tolls and maintains the facility under the terms of a Lease-Purchase Agreement with the Mid-Bay Bridge Authority under which the FDOT pledges to pay the costs of operation and maintenance. The reimbursement of these expenditures is subordinate to debt service requirements and payable from excess revenues flowing to the General Reserve Fund. The long-term debt owed to the STTF was $18.2 million as of June 30, 2004. Construction of the facility was financed by Series 1991A and 1991B revenue bonds that were partially refunded in 1993. In addition, in November 1997, the Authority issued $13 million tax exempt revenue bonds and $2.9 million taxable revenue bonds. In 2004, the Authority issued $21.7 million of Series 2004A Bonds and $11.5 million of Series 2004B Bonds. The Series 2004A Bonds were issued to refund portions of the Series 1993A, 1993D and 1997A Bonds. The Series 2004B Bonds were issued to finance a portion of the costs of the design and construction of the north approach capacity improvements and expand the existing toll plaza from six to eight lanes. Bonds outstanding as of September 30, 2004 (Authority's fiscal year) totaled $112.8 million. In addition, at June 30, 2004 Mid-Bay Bridge owes the TFRTF $1.5 million. A toll rate increase went into effect October 1, 2004 raising the two-axle rate to $2.50 for cash customers and $1.50 for SunPass. For more information, contact the Mid-Bay Bridge Authority at (850) 897-1428, or visit their web site at http://www.mid-bay.com/.

Orlando-Orange County Expressway System

The FDOT is responsible under a Lease-Purchase Agreement for the operation and maintenance of portions of the Orlando-Orange County Expressway System. The operation and maintenance costs of the Holland East-West Expressway and Airport Expressway, and the maintenance costs of the Bee Line Main Expressway are added to the long term debt due STTF each year. The FDOT has contracted with the Expressway Authority so that the Authority is responsible for the management, operation and maintenance of these facilities.

The FDOT funds the annual costs for these facilities and records this as a long-term receivable of the STTF ($172.2 million at June 30, 2004). In addition, at June 30, 2004, OOCEA owes the TFRTF $5.7 million. For more information, contact the Orlando-Orange County Expressway Authority at (407) 425-8606, or visit their web site at http://www.expresswayauthority.com/.

Garcon Point Bridge

Garcon Point Bridge, which opened to traffic May 14, 1999, is a fixed span toll bridge that traverses Santa Rosa Bay from Garcon Point on the mainland, to Redfish Point on the Gulf Breeze Peninsula. The Santa Rosa Bay Bridge Authority, on October 16, 1996, issued approximately $95 million revenue bonds to provide for construction and costs of issuance. Pursuant to the terms of a Lease-Purchase Agreement with the Authority, the Department pledges to pay the costs of operating and maintaining the facility. Long - term debt owed to the STTF as of June 30, 2004 totaled $8.2 million. In addition, the Department advanced from its Toll Facilities Revolving Trust Fund (TFRTF), $8.5 million to pay for engineering and right of way costs for the project. The principal and interest due to the TFRTF at June 30, 2004 is $7.9 million. The reimbursement of both the operation and maintenance costs and the TFRTF advances are subordinate to debt service payments and will be payable from revenues flowing to the Surplus Fund.

Based on actual toll revenues on the Garcon Point Bridge, it was determined that future toll revenues would not be sufficient to meet minimum debt service coverage requirements. In a resolution passed in March 2001, the Authority, based on the recommendation of Traffic Consultants, increased the per axle toll by $0.50 to $2.50 on July 1, 2001. Effective July 1, 2004, the toll rate was increased to $3.00 with an increase planned to $3.50 on July 1, 2007. On every third July 1 thereafter, the toll will increase by $0.25 for a maximum of $5.00 in the year 2025.

In January 2002, the Authority began withdrawing from the debt service reserve in order to meet its semi-annual debt service payment. The balance in the debt service reserve at January 1, 2005 is $6.2. This puts the Authority in a "technical" default on the bonds; however, the Authority has and will continue to meet its annual debt service requirements with withdrawals from the debt service account in the near term. The Authority is not expected to meet its 1.2 minimum debt service coverage requirement. Toll revenues plus the debt service reserve withdrawals are projected to meet the annual debt service requirement through FY 2009. The debt service reserve is projected to be depleted during FY 2010. For more information, contact the Santa Rosa Bay Bridge Authority at (850) 983-6003, or visit their web site at http://www.srbba.pensacola.com/.

Noteworthy Events

During FY 2005, the State of Florida suffered damage due to several hurricanes that made landfall in or near Florida. Due to the need for evacuation and the ongoing need for timely assistance to the areas affected after the hurricanes, tolls were suspended on Department owned and operated toll facilities. These revenue losses have been accounted for in the toll revenue forecast for FY 2005 of each Department owned and operated toll facility. These losses will not impair the ability of toll facilities to meet their ongoing obligations.

Supplemental Information

Debt Affordability Study

Section 215.98 F.S., created in May 2001, codifies the debt affordability analysis and requires an annual report. Target debt ratio is set at 6% not to exceed 7% unless the Legislature determines that such additional debt is necessary to address a critical need.

This analysis measures annual debt service as a percent of a group of revenues that includes: General Revenue and primary pledges to repay various bonds from trust fund revenues. In the case of the STTF, the statewide gas tax and vehicle license tax are included in the total.

In December 2004, the Division of Bond Finance presented a Debt Affordability Study update to the Governor and Cabinet. Total State debt more than doubled over the last ten years, increasing from approximately $9.2 billion at June 30, 1994 to approximately $21.2 billion at June 30, 2004. The increase was primarily due to the issuance of additional PECO bonds of $4.3 billion and implementing both the lottery program for school construction of $2.0 billion, Right-of-Way bond program of $1.4 billion and the Florida Ports financing program of $335 million and the Preservation 2000/Florida Forever programs for $1.2 billion.

Debt increased $817 million in Fiscal Year 2004 from $20.4 billion at June 30, 2003 to approximately $21.2 billion at June 30, 2004, less than the average annual increase of approximately $1.2 billion per year over the last ten years. The increase in debt is primarily due to additional borrowing for school construction with financing programs for education facilities accounting for 67% or $550 million of the increase over the prior year.

It should be noted that bonds issued which are backed by a pledge of Toll Facility Revenue are not considered a general obligation or indebtedness of the State of Florida. Therefore, Toll Facility Revenue Bond Debt is NOT included in the analysis and is considered "self-sufficient" for the repayment of annual debt service.

2004 State Transportation Legislation

Public-Private Partnerships

CS/CS/SB 1456 authorizes the Department to use state resources and to enter into public-private partnership agreements for a transportation facility project that is in the adopted work program. The Department may lend funds from the Toll Facilities Revolving Trust Fund for such public-private partnerships provided that the private entity must comply with s. 338.251, Florida Statutes, and provide investment grade debt with credit assurances acceptable to the agency.

Transportation Funding Policy CS/CS/SB 1456 also revised funding for programs as follows:

- revises the minimum annual allocation for purposes of developing the Florida Intrastate Highway System Plan from $150M to $450M.
- authorizes the use of funds in the State Transportation Trust Fund to pay the cost of projects on the Strategic Intermodal System (SIS).
- requires allocation of at least 50% of any new discretionary highway capacity funds to the SIS.
- repeals s. 339.137, F.S., the Transportation Outreach Program. Also removes provisions to fund the Transportation Outreach Program and to add provisions to fund the SIS.
- requires the Department to allocate from the STTF in its program and resource plan a minimum of $60M annually, beginning in fiscal year 2004-2005, to fund projects under the SIS.

Constitutional Amendment - Revenue Limitation

Toll revenue collections in excess of the amounts needed to meet coverage requirements contained in the bond documents are included as revenue in the calculation of the statewide Constitutional revenue limitation. Current projections of the Office of Economic and Demographic Research indicate that the growth rate for state revenues for fiscal year 2004-05 are growing slower (approximately 4.3%) than the growth rate for the Constitutional revenue limit (approximately 6.0%). Therefore, increases in toll revenue collections are not anticipated to have an impact on state revenue decisions.

State Transportation Revenues are Stable

The state has taken measures to offset the impact of inflation on the transportation program by indexing the state gas tax to the change in the overall Consumer Price Index each calendar year. The State Revenue Estimating Conference (REC) issues a 10-year state transportation revenue forecast at least two times a year. Since 1992, forecasts of state transportation revenues have been very accurate, with occasional upward revisions that take into account the strength of the State's economy. The March 2005 Revenue Estimating Conference reflects average annual revenue increases of 4% for fiscal years 2004-05 through 2009-10. Overall revenues have, and are, forecasted to exceed the consumer price index. While the FDOT has operated within a stable financial environment, revenues are nevertheless continuously monitored and contingency plans and strategies are developed in the event an economic downturn occurs.

Subsequent to the events of September 11, 2001 and the resulting economic downturn, the March REC again adjusted the projections for Aviation Fuel and Rental Car

Surcharge for FY 2005 up from the previous forecast in November 2004. It is projected that the Rental Car Surcharge will make a slow recovery and return to the FY 2001 level by FY 2009. The Aviation Fuel is not expected to return to the prior year level until FY 2006.

HISTORICAL TRENDS AND FORECAST OF STATE TRANSPORTATION REVENUES

$ in Millions	Actual		Forecast					
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Motor Fuel Taxes	1,425.9	1,516.7	1,561.2	1,684.5	1,767.3	1,839.9	1,916.2	1,998.8
Aviation Fuel	48.1	51.6	54.3	56.1	57.8	59.6	61.3	62.8
MVL & Title Fees	556.2	605.3	631.5	655.5	675.5	692.7	709.1	725.0
Rental Car Surcharge	94.1	94.2	102.0	102.0	104.1	106.2	108.1	110.0
Initial Registration	93.4	99.9	102.8	151.2	155.6	159.9	164.3	168.5
Local Option Fuel Tax	0.0	0.0	0.0	27.3	56.0	57.2	58.6	59.9
Total	2,217.7	2,367.7	2,451.8	2,676.6	2,816.3	2,915.5	3,017.6	3,125.0
Percent Change in Total Revenues		6.8%	3.6%	9.2%	5.2%	3.5%	3.5%	3.6%
Percent Change in Consumer Price Index		2.3%	2.5%	1.5%	1.9%	2.1%	2.2%	2.4%

Notes:

(1) Forecast of State Transportation Revenues adopted by the Transportation Revenue Conference on March 2005.

(2) Forecast of Motor Fuel Taxes for FY05 includes the impact of the Motor Fuel Tax Holiday.

It is interesting to note that in spite of the continued economic downturn, fuel consumption in Florida continues to exceed the prior levels and the REC estimates. Consumption for the current fiscal year through March 2004 is 3.5 percent ahead of prior year consumption through March 2003.

2020 Florida Transportation Plan

The 2020 FTP sets the policy direction for transportation in Florida through the year 2020, constrained by anticipated state and federal revenue. Details for implementing that policy direction, including financial plans constrained by anticipated state, federal and local revenue, are contained in the Department's modal plans and in Florida's metropolitan planning organization, local government and other partner plans. Collectively, these plans encompass the use of all available known resources to finance needed transportation investments. The plans are the result of extensive public participation, and they provide a realistic understanding of the extent to which transportation infrastructure needs can be financed based on existing revenue sources. The 2020 FTP identifies four major transportation goals of the Department and its Partners:

- Safe transportation for residents, visitors and commerce;

- Preservation and management of Florida's transportation system;
- A transportation system that enhances Florida's economic competitiveness;
- A transportation system that enhances Florida's quality of life.

These priorities drive the development of the Department's programs, selection of projects and overall financing. The priority of these goals also ensures the existing transportation system will be properly maintained and preserved over time.

The 2020 FTP is being updated during 2005 to extend its horizon year to 2025. A Steering Committee comprised of more than 40 representatives of statewide public and private sector interests has been appointed to provide input and guidance to the Department on the update.The 2025 Plan will be developed in three phases. Revisions to the current long range goals and objectives will be identified. Strategies to achieve the 2025 goals will be identified. A draft 2025 Plan will then be developed and available for everyone's feedback before the new Plan is adopted by the end of 2005.

Agency Position Reduction Plan

The Department is in the process of implementing a five-year Organizational Efficiency Plan. In September 2001 the Department submitted an Organizational Efficiency Plan to the Governor and Legislature. Over the five year period from FY 2001/02 through FY 2005/06 the Department plans a net reduction of 2,785 positions, which is a reduction of nearly 27 percent of the Department's total work force. Over 1,500 of the position reductions are associated with privatization of Toll Collections and Routine Maintenance activities. Approximately 700 positions are being privatized in Design, Right of Way, Materials Testing, Construction Engineering, and associated activities. The remaining positions are being eliminated through a variety of efficiencies. The Department is committed to full implementation of the plan without negative impact to Department programs. Through the first four years of the plan (FY 2001/02 – FY 2004/05) the Department's workforce has been reduced by 2,541 positions. The Department has included in its FY 2005/06 Legislative Budget Request (the fifth year of the plan) a net reduction of 244 positions, which, if approved by the Governor and Legislature, will take effect on July 1, 2005.

Privatization of Toll Collections

The Department has converted all state toll collectors, laborers and couriers to contract personnel. Currently, private contractors provide close to 100 percent of toll collector supervisors with only 10 employees remaining until July of 2005. Current budget proposals call for the deletion of an additional 15 positions by July 1, 2004.

SunPass

Improved SunPass access is a key component to providing great service to Turnpike patrons. In terms of actual toll collection, dedicated SunPass lanes process up to 1,800 vehicles per hour, 300 percent more than a manual toll lane. The increased transaction throughput at the toll plazas provided by SunPass provides time savings to the customer by minimizing congestion. To keep up with the increased demand of SunPass customers, the Turnpike completed the construction of numerous SunPass lanes and ramps in FY 2004 on various facilities. A total of 37 SunPass dedicated lanes were added to the system at various toll plazas and interchanges during the year. Additional lanes are planned in order to accommodate the phenomenal growth in the SunPass program.

SunPass Participation on the Turnpike System in FY 2004 averaged 45 percent, an increase of over 24 percent over the 36 percent participation in FY 2003. Participation surpassed the 50 percent mark in April of 2004. Accordingly, the Enterprise goal of 50-percent participation by December of 2004 was achieved eight months early. During FY 2004, Enterprise management implemented a "cash customer only" toll rate increase as well as an aggressive marketing campaign which encouraged many patrons to switch to SunPass. The combined result was a dramatic increase in SunPass participation. Management is now focusing on a new SunPass participation goal: 75 percent participation by FY 2008.

Financial Controls

The Florida Department of Transportation has a number of financial and planning controls in place that assure that financial management is sound and responsive. Key elements include:

Five Year Work Program Development Process

All of the Department's transportation projects are contained in a 5-year work program as prescribed in law. The work program is officially updated twice each year and it is continuously balanced to available finances during the year. (Section 339.135, Florida Statutes)

Monthly Production Management and Performance Monitoring Process

The FDOT Office of Work Program prepares and publishes a monthly production management report package. It outlines the Department's progress in the accomplishment of current year project commitments from the Department's 5-year work program in statewide summaries and District detail. The results are presented each month to the Department's Executive Board. The FDOT Districts must respond to production levels that deviate from a norm of 95% of the expected level of production, and 90% of the expected costs. As part of this process each District monitors production on a continuous basis.

Monthly Cash Forecast Process

The FDOT Comptroller prepares and publishes each month a multi-year monthly cash forecast for the State Transportation Trust Fund, the Right of Way Acquisition and Bridge Construction Trust Fund, and each of the Turnpike trust funds. The results are provided each month to the Department's Executive Board. (Section 20.23(3)(I)2, Florida Statutes)

Multi-Year Finance Plans

The FDOT Office of Financial Development prepares multi-year (five, ten and twenty year) Finance Plans for each of the Department's trust funds. The Finance Plans are reconciled to the Comptroller's Cash Forecasts. They are used extensively in the planning of alternative financing and work program scenarios. (Section 339.135, Florida Statutes)

Revenue Estimating Conference

The Transportation REC is comprised of members of the Executive Office of the Governor, Division of Economic and Demographic Research of the Joint Legislative Management Committee, professional staff of the House and Senate committees and the Departments of Transportation, Revenue and Highway Safety. The REC provides projections, developed by consensus, of revenues and other economic assumptions for use in all state planning and budgeting activities. The Transportation REC meets and updates its revenue projections of transportation revenues at least two times a year. (Section 216.134, Florida Statutes)

Turnpike Enterprise Finance and Production Offices

The Turnpike Enterprise Finance and Production Offices are responsible for planning and developing financially balanced Turnpike work programs and operating budgets and work in close cooperation with the Central Offices of Financial Development and the Comptroller.

Florida Transportation Commission

The Florida Transportation Commission is charged with the responsibility to annually assess the financial soundness of the Department's work program. This assessment includes a detailed review of the Department's finance plans and assumptions as well as continuous monitoring of financial performance (Section 20.23(1)(b) 4., Florida Statutes)

Quality Assurance Review Processes

Department personnel continuously monitor, evaluate, adjust and improve the cash forecasting and financial planning processes and underlying assumptions. Formal procedures are in place to analyze and evaluate commitment and outlay trends, payout rate profiles, levels of federal participation, and other variables affecting cash forecasting and financial planning. These activities enable a quick identification and response to changes in financial conditions (Section 20.23(3)(f), Florida Statutes).

Independent Auditors

The financial operations of Florida's Turnpike System are independently audited on an annual basis by the nationally recognized Certified Public Accounting firm, Deloitte & Touche, LLP. Turnpike operations are also subject to financial compliance, and operational audits conducted by the Florida Auditor General and the Department's Inspector General. Copies of audits are available upon request.

Summary

The Department's operating and capital outlay programs are on a solid financial footing, with a stable and growing tax base, financially sound trust fund balances, and conservative approaches towards debt financing.

The systems, controls and people are in place to ensure that Department operations are well managed, and forecasts of revenues and expenditures are continuously updated to reflect the most current financial information.